

Effective Leadership for Decentralized Governance

G.V. Joshi*

The term 'decentralization' is commonly used to describe both the bureaucratic and democratic paths, though they are, to a considerable extent, conflicting with each other.¹ The bureaucratic decentralization is essentially administrative delegation. The path of democratic decentralization involves devolution of powers rather than delegation of administrative functions and authority. The case for decentralization by the democratic route rests on two basic premises: 1) If bureaucracy is expanded beyond a particular point, it begins yielding reduced or even negative returns, and 2) There is a need for intermediate institutions between the Government and the people to provide an outlet for participative upsurge from a politically awakened public. This paper attempts to prove that effective leadership can be instrumental in facilitating the path of democratic decentralization accompanied by much needed devolution of powers.

In many developing countries, decentralized planning has found favors because it serves as a route to ensure

inclusive governance at local, state or provincial and national levels. To make it possible in a democratic way, constitutions of many countries of Asia, Africa and Latin America have been amended. However, experiences have revealed that decentralization remains a non-starter while centralization becomes the obvious but unwarranted aftermath. In the era of market oriented reforms, economists speak of market driven economy and political scientists spell out their views on market driven democracy. To minimize the adverse consequences of both market driven economy and democracy, decentralization of economic, political and administrative powers is forcefully advocated. No doubt the advantages of decentralization are at the outset evident.² But the realities in many countries pointedly show that there are limitations of decentralization as much as there are limits to decentralization.

These limitations may become disturbing at the level of implementation of various developmental programs. The limits to decentralization crop up in the

* Professor at Justice K. S. Hegde Institute of Management, Nitte. This is a revised version of the paper presented in the International Conference on Leadership held at Kampala (Uganda) during June 14-17, 2011 organized by the Makerere University Business School.

course of implementation itself. The most serious criticism against decentralized governance is that it is costly. Naturally enough, the advantages of such governance can be felt but cannot be measured. But the cost of this governance becomes at once conspicuous. It is only through effective leadership at almost all levels of decentralized governance that the cost can be reduced. It is to be admitted that effective leadership in this context means the presence of leaders who wholeheartedly admit the merits of decentralization. In other words, it is enough if there are leaders who facilitate the 'trickle down', the impact of what can be conveniently conceptualized as decentralized governance in a democratic setup. Therefore to overcome the limitations of, and limits to decentralization people look forward to leaders who can be effective.

Obstacles to Participatory Governance

Traditionally, though India is free from colonial rule, one can still discern an internal colonialism characterized by anti-participatory ideology and feudalistic institutions, resulting in religious, caste and culture domination. Even after adopting a comprehensive Constitution, guaranteeing freedom of thought and expression and subsequently, the formation of parliamentary democracy,

there was an urgent need to enhance the individual's capacity to participate in governmental decision-making processes.³ But there were several road blocks to developing such capacity, attitudinal rigidity being on of them. A special formal and institutional arrangement to remove these roadblocks was deemed essential which manifested itself in the late 1950's in the form of democratic decentralization. Besides, the expansion and proliferation of bureaucracy in the post-Independence period gave rise to the need for a trained and tamed bureaucracy. Since such bureaucracy was not emerging, the experiments in democratic decentralization became all the more important. It may be safely pointed out here, that as these experiments were not matched by effective leadership, their utility was not available to the masses whose expectations were raised beyond proportions during the pre-independence period by the nationalists.

One of the prominent ways for overcoming the limits to decentralization is found in participative leadership. Both the theory and relevant case studies indicate that participative leaders share decision making with group members whom they lead. For instance in recent years, Bill Gates has intensified the participative style usually referred to as

trickle-up leadership. Since 2002 he was devoting most of his time to communing with the information technology specialists who build Microsoft products. He collects input from his group members for evolving new products which can be woven into industry standard products.⁴

The participative style encompasses the team work approach consisting of coaching team members by the leader, negotiating their demand by him and collaborating with them. Though there are some minor problems with participative leadership, it is well suited to managing people who are eager to assume responsibility. Welcoming ideas from below is considered crucial because as technology evolves and organizations decentralize, frontline workers have higher degree of independence and autonomy. This can be helpful in solving human resource problems effectively.⁵

The impact of participative style of leadership was visibly clear by a successful experiment made by Sam Walton who was remembered even after his demise. Sam Walton made a deal with Wal-Mart employees, expressed in these terms: "If you're good to people, and fair with them, and demanding of them, they will eventually decide that you're on their side." Walton died in 1992, but the language of that deal still peppers the dialogue of Wal-Mart executives and the

company's official literature. A quote that runs, in large type, across the top of a page in Wal - Mart's Associate Handbook is typical: "The undeniable cornerstone of Wal-Mart's success can be traced back to our strong belief in the dignity of each individual."⁶

Behavioral Model of the Firm

In the early 1970s, Behavioral Economics or Behaviorism in Economics met with scathing criticism in many western centres of learning and research. So vehement was the criticism that an impression came to be created in the academic circle that behaviorism was dead and gone. During the 1980s and 1990s behaviorism was revived particularly in some of the leading American universities and research institutes The Society for the Advancement of Behavioral Economics (SABE) is propagating behaviorism by publishing journals and by attracting young scholars to undertake research in Behavioral Finance and Behavioral and Experimental Economics. Now Behavioral Economics is cross - disciplinary. It is a blending of neo-classical economics (rational choice theory and other social sciences. It is very much related to biology, human behavioral ecology, neuro psychology, cognitive psychology and evolutionary psychology. All these fields are adding to the theory of decision

making especially at the level of the firm. At this level, the significance of decentralized governance is coming to the fore.

The behavioral theory of the firm developed by Cyert and March treats the firm not as a single-goal single – decision unit, as in the traditional theory, but as a multi goal, multi decision organizational coalition. The firm is conceived as a coalition of different groups, viz. managers, workers, share holders, customers, suppliers, bankers, tax inspectors and so on. Each group has its own set of goals or demands. For instance, workers want high wages, good pension schemes, good conditions of work. The managers want high salaries, power, prestige. The share holders want high profits, growing capital and market size. The customers want low prices and good quality of the product. The most important groups, within the framework of the behavioral theories are those most directly and actively connected with the firm viz. the managers, the workers and the share holders. The demands of different groups frequently conflict and therefore the means for the resolution of these conflicts are needed. One of the effective means of resolving the conflicts is decentralization of decision making. This decentralization is to be achieved both at the level of top management and

lower levels of management or administration. In this context, the top managers have to become effective leaders by accepting the merits of decentralization.⁷ According to John P. Kotter, a prominent leadership theorist, managers must know to lead as well as manage. Without being led as well as managed, organizations face the threat of extinction.⁸

Inclusive Governance, Decentralization and Leadership Factor: Indian Realities

The makers of the Indian Constitution had the fear that in the absence of effective leadership, there was every likelihood of powers getting centralized which would be repugnant to the principle of separation of powers in a democratic polity. Here we can do no better than quote B. R. Ambedkar, the Chairman of the Drafting committee on November 25, 1949: "The working of a constitution does not depend wholly upon the nature of the Constitution. The Constitution can provide only the organs of the state such as the Legislature, the Executive and the Judiciary. The factors on which the working of these organs of the State depend are the people and the political parties they will set up as their instruments to carry out their wishes and their politics. Who can say how the people of India and their parties will behave?"⁹

The developments that followed during the late 1960s and the 70s proved the predictions of Ambedkar. No doubt, the distribution of powers between the Centre and the States was done with meticulous care in the Constitution. But it remained tilted in favour of the centre and states remained dependent on centre's policies. Over centralization of powers gave rise to travesty of federalism. The leadership at the national level had hardly any respect for the decentralized governance. Under the chairmanship of Sadiq Ali in 1964, a report was submitted on the working of the Panchayat Raj System in Rajasthan. The report highlighted that democratic decentralization did not remain even on paper. In 1978 Ashok Mehta Committee found that the early 1970s were the years of decline of Panchayat Raj Institutions due mainly to the leadership being averse to democratic decentralization. Again in 1985, the committee under G.V.K. Rao found that special measures were needed to strengthen the foundations of democratic governance. In 1988, a sub committee of a Parliamentary Consultative Committee under the chairmanship of P.K. Thungan recommended a constitutional status for Panchayats with hope of emergence of leadership that would favour democratic decentralization. Thus the committees after committees highlighted that the

dream of decentralized governance remained unfulfilled, thanks to the paucity of leadership.¹⁰

Slowly there was a realization with the dawn of 1990s that the economic gains of decentralized governance gather importance because the alternative to it is nothing but centralized governance which can easily frustrate all efforts of inclusive growth.¹¹ The non-economic gains of decentralization are electoral democracy, transparency, accountability, participation and responsiveness, rule of law, effective enforcement of contracts, independence of judiciary and production of human rights. There is sufficient evidence to demonstrate that participatory or inclusive governance is indispensable for achieving inclusive growth. To put it differently, the route to inclusive growth which almost all developing countries aspire to achieve, lies in inclusive governance which necessitates decentralization. The challenges of decentralization as also the opportunities that it can generate were conceived by Rajiv Gandhi, the former Prime Minister of India. To comprehend the significance of the leadership factor in improving environment for decentralization in India, the instance of Rajiv Gandhi is there for all to see.¹² It goes without saying that all the above mentioned non-economic gains of

decentralization and inclusive governance cannot be realized unless there is effective leadership at all desired levels.

The recent world wide economic recession and the present recovery have made it imperative to redefine the roles of the state and the market and recognize that the corrective mechanisms are required both for the state failures and for market failures.¹³ Both the state and the market have to play their roles in the process of inclusive growth though not necessarily with harmony and understanding. Therefore there is no denying the fact that a judicious mix of the market and the state for maximizing the gains of decentralization is something that can be accomplished by leaders who in their chosen fields are effective.

Four major factors that deserve our attention in the LPG era in India are:

1. The Constitution 73rd Amendment Act that came into effect from April 24, 1993 provides for certain far reaching steps to strengthen Panchayat Raj system. It contains guidelines for the structure of Panchayats, composition, powers, functions, devolution of finance, regular holding of elections, reservation of seats for women and weaker sections. As the Task Force on Panchayat Raj in its report submitted in March 2000 observed, "With such a blueprint, the amendment

has been hailed as a revolutionary step towards establishing grass root democracy; specifically it has given constitutional guarantee for people's participation and self-governance. In order to translate the above into reality the state governments have been given necessary freedom to feed 'flesh and blood 'to the framework provided by the amendment"¹⁴.

2. The scope for people's participation in rural development programmes has got enlarged due mainly to reduction in the state-level assistance for these programmes. This in turn has paved the way for increasingly self-reliant approaches in local-level planning and development, and

3. The resurgence of interest in District Planning and Panchayat Raj system has now given birth to the vision of a New Society with some characteristic features i.e., harmony between bureaucracy and local government institutions, empowerment of people for their participation in rural planning and government institutions with sufficient local autonomy to give due regard to the collective wisdom of the people. Therefore India is in search of good governance.

Jayanth Kumar Roy, in his seminal work *India in search of Good Governance* made a searching analysis of the need for good governance in the reform era. He tries to find out answers to two questions: i) why has the Indian government failed to establish good governance since independence? and ii) why have some other countries speed ahead in the establishment of good governance for the benefit of their people? Answering these questions, the author points out that there is imbalance in the roles played by the three authorities, viz. the union, the state and the local bodies. Though there is a provision for panchayati raj institutions in our Constitution and even after the 73rd and 74th amendments made them an essential component of our constitutional system, they have not come in full stream yet.¹⁵

What Roy said in 2001 was reiterated in 2009 by a group of political thinkers who found that poor governance was readily recognizable.¹⁶ They listed the symptoms of poor governance: 1) Diversion of public resources for private gains, 2) Absence of law or arbitrariness in its application, 3) Excessive rules which impede the functioning of markets, 4) Allocation of resources not consistent with the priorities of development, and 5) A decision making process that is not transparent. Enough is the evidence to

show that India is in search of good governance as well as leadership that is well disposed to the theory and practice of decentralized governance.

Leadership and Management Development in Corporate Sector.

The leadership concept in the corporate sector all over the world is now being democratized. Companies strive to see thousands of leaders across the length and breadth of the organizations through vigorous leadership development programme. A large number of global companies have taken lead in setting up corporate universities. The Airtel Group has set up Bharthi Learning System where more than 600 full time people are working to support the updation of knowledge of future leaders. The Infosys has built a big Leadership Development Centre in Mysore with international standards. The issues such as crafting a leadership development strategy, leadership and management in SMEs, diversity management, leadership ethics and corporate governance reforms are receiving attention in leadership centres set up by the Corporate entities. There is a growing realization that leadership building should be a major strategic priority of leading companies with the result that a lot of investment is taking place in these areas. Several global organizations have realized that there

should be leadership for decentralized governance to meet their fast changing needs. This may be treated as transformational leadership.¹⁷

While the corporate sector in India has transformational leadership, it is not found in the political circle. Even after 18 years of 73rd and 74th constitutional amendments, decentralization in many states has not made a measurable difference to governance. The promises and claimed successes are many. But the reality is different because there is insufficient political support to

decentralization. The experiences in Kerala and Karnataka indicate that deepening democracy for human development and much needed inclusive growth is possible only if there are effective leaders who strive hard to improve the future prospects of decentralized planning. Of course effective leadership is not easily measurable. This however does not serve as an argument against effective leadership. This is only an added proof to what the leaders should do to promote the welfare of the society of which they are a part in this country.

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