

IIMA's 43rd Convocation IIMA: March 29, 2008

Address by the Chief Guest, Mr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission.

Mr. Chairman, Shri Vijayapal Singhania, Director Dr. Baruah, members of the Board, Faculty Members, graduating students, proud parents, other guests.

It is a privilege to be invited to deliver the Convocation Address at the 43rd Convocation of IIM Ahmedabad, I consider it a special privilege because, unlike many previous speakers, I am not an alumnus and indeed I do not even have the benefit of MBA education! I can only assume that your decision to extend the charmed circle to include an economist reflects a commitment to the new mantra of "inclusive growth". I am very happy to be "included" in this convocation.

The stars of convocation are of course the graduating students, so I would like to begin by offering all of them my warm congratulations, with a special word of congratulations to those who have received awards and medals. I would also like to extend my congratulations to the proud parents who, I know, will remember this day with much greater fondness than the graduating students. As a parent of children who have graduated, I can testify that the graduation ceremony of ones children is more firmly etched in one's mind than one's own graduation, and not only because it is more recent. My congratulations to all the parents whose role in the success of their children is larger than the children usually think.

The graduates who have received their diplomas today will be going out into the world with one of the most valued degrees in the world. This is

because the Indian Institute of Management, Ahmedabad is one of only a handful of educational institutions in our country which have achieved global recognition for quality well before Indian firms could claim the same. This is a tribute to farsightedness of Pandit Jawaharlal Nehru our first Prime Minister and of visionaries like Vikram Sarabhai who were responsible for establishing this institution half a century ago and who recognized the need to aim for the best. The very choice of the internationally renowned architect Louis Kahn to design the building of the Institute symbolizes the commitment to excellence, a commitment that gives this institution and this Convocation a unique and very special ambience.

The importance of having more world class educational institutions in the country is especially important today, when the economy has successfully transited to higher growth rates thanks to the cumulative impact of economic reforms implemented over the past several years. To sustain this growth we need an expanded supply of highly skilled individuals capable of giving us the competitive edge we need to do well in this globalised world. The central government had earlier announced its intention of setting up 7 new IIM's and 8 new IIT's and 14 world class universities in the country. Their locations have been announced in today's newspaper. This decision is overdue and needs to be implemented speedily.

As we expand the system we need to ensure that the standards set by our existing world class institutions such as IIM Ahmedabad serve as benchmarks for the new institutions that are to come. In fact, institutes like this one need to be constantly strengthened so they can stay ahead in a world that is rapidly becoming much more competitive and seamlessly global. I understand the government has established a review committee to

look into the functioning of the IIMs. This is a valuable opportunity to raise all the relevant issues that need to be addressed in terms of independence, autonomy etc keeping in mind global practices.

These concerns may not seem immediately relevant to the graduating class that is about to leave this institution, but the fact is that you will always remain a part of the IIM family and as alumni you have a role to play in supporting this institution. The United States is generally regarded as having the best educational system in the world and a distinguishing characteristic of the US system is that alumni associations are deeply involved in the health and well being of their alma mater.

This is not meant to be a subtle hint of the importance of contributing something back to the institution as students prosper economically, though that is also important and strongly recommended. It is also an invitation to remain engaged and interested in guarding the future of the institution. A great educational institution is not simply be a government funded factory for producing new entrants to the labor force. It must be a living organism, dedicated to the pursuit of academic excellence and the spirit of enquiry to which all educational institutions must aspire. Alumni associations are obviously not numerically important in the early days of an institution, but as an institution matures, and yours has matured, the number of alumni become significant. For an institution which is as distinguished as this one, the alumni are also likely to be in positions where they know what is happening in the world, and can also shape opinion on how to strengthen their alma mater in meeting new challenges in a rapidly changing world. I hope all of you will remain engaged in the future of IIM Ahmedabad, and help it to achieve greater heights in the years and decades ahead.

A convocation address place a very heavy responsibility on the speaker as he or she is expected to give some final words of guidance to the graduates before they step out from the ivory towers of academia to the real world outside. It is therefore the last piece of mandatory instruction forced upon you by the university before you receive your degree. Since I know I am standing between you, and the celebrations which I am sure you have all planned, I will limit myself to two comments.

First, let me comment as an economist on an aspect of the economic reality in which you will operate. I can only say that you are lucky to be graduating at a time when India seems poised for an extended period of rapid growth. When I graduated in 1963, we were in a period of fairly low growth. We targeted 5% growth of GDP and achieved only 3.5%. You are beginning your careers when the economy's well set for an average of 9% growth over the 11th plan period. The newspapers are full of talk about a slow down and a temporary slow down may well occur, but I think we are well set to achieve 9% growth on average in the next five years.

This implies that your work environment will be very different from what we experienced. When I graduated, the economy was growing at 3.5% and population was growing at over 2% per year, so that per capita income grew at only 1.5% per year. With GDP now growing at 9%, and population growth down to 1.5% per year, per capita GDP will grow at 7.5% per year.

Rising per capita income means changing consumption patterns and changing production structures, shifts from rural to urban areas and all sorts of other changes. When per capita income grows at 1.5% per year, as it did in the 1960's and 1970's it takes 45 years per capita income to double. In other words the structural change associated with a doubling of per capita

income occurs over 45 years. When per capita income grows at 7.5% per year, it doubles in just over 9 years. What this means is that your generation will experience structural change at 5 times the rate that mine did.

Rapidly rising per capita income is not the only factor that will drive change. It will also be driven by the greater globalization of the economy and its greater openness. Since technology is also poised to change faster in the world than the past, we can expect to experience the impact of these changes in all sectors of our economy and in the way we conduct business.

I would not presume to predict what this means for each of you, nor to offer advice on how to manage it. After all you have all been trained in management and I am only an economist. However, I venture to suggest that this transformation will be exciting. Businesses will have to be much more watchful of change and nimble enough to anticipate it and benefit from it. Individuals too must shape themselves to operate on this environment.

One immediate consequence which is particularly relevant for you, is that in a world of rapid economic and technological change, age and experience will be at a discount and youth, the willingness to think out of the box, and also the willingness to accept risks, will be at a premium. In short, you are entering your working life with a much more even playing field compared to your seniors than was the case with my generation. I am reminded of the poetic lines "Bliss it was in that dawn to be alive, but to be young was very heaven".

My second comment about the future is from the perspective of someone who has spent the bulk of his working life in government. It is sometimes

said that economic reforms have reduced the role of government. This is incorrect. They have not reduced, but they have certainly transformed the role. We don't need government to run enterprises which are easily, and offer better run by the private sector. But we need a much larger role for government in many other areas such as delivering of public services in education, health and other basic services and also many types of infrastructure development. Our performance in those areas has not been adequate and it needs to change if the objective of inclusive growth is to be achieved.

To achieve these objectives, government will need to charge as much as business. There is however one very important difference. Businesses can change relatively quickly when they have to, if only because those that do not change will get overwhelmed by change. This is less true of the "business of government", because government is not a competitive business. Parties in power have to compete periodically in the electoral market, and they also change from time to time, but the system of government does not change as much as it should.

I believe that the system of government, the processes that are followed and the way we determine accountability must also change if governments are to cope with the changed role now foreseen for them. Unfortunately, this is much more easily said than done. It is extremely different for government to be nimble and flexible because governments are not judged by outcomes alone. They are all too often judged by whether due process and procedures were followed and decisions which depart from strict pursuit of established procedure or process can easily be questioned.

Re-engineering government systems and processes should have high priority if we are to achieve efficiency or accountability and this requires large doses of modern management. I have often felt that we do not have enough input of modern management practices in government and this presents a major challenge. I was particularly happy to see that one of the gold medaled is a curl servant.

I hope some of the graduating class will be tempted to spend some of their time and energy to improving governmental systems and processes. There is frequent talk of administrative reform in government, but the term "administrative reforms" itself reflects the view that government is about administration. It is actually much more. It is not first a matter of administration to deliver effective educational services and health services, especially in a world where large numbers of people depend upon the efficient deliver of these services by the government to achieve a sense of inclusion. It is a matter of management, involving the design of systems that will assure quality of output and service delivery. This calls for effective consumer orientation as much as in the commercial sector.

The skills taught in management skills can make a major contribution in both designing and implementing effective systems of delivery of services.

Whatever you do, whether in business or government, or a bit of both, I have no doubt that you will look back on your days spent in this institution with nostalgia and fond memories of your academic and non-academic activities and you will covey into the world the mark of excellence that IIM Ahmedabad is associated with not only in India but in the world.