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Banking Industry and the Future: A New Paradigm (Interview with Meera Sanyal)

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Case Studies and Interviews

Banking Industry and the Future: A New Paradigm

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Introduction to the Interviewee

Prior to her entry into India's political system, Meera Sanyal directed her time and talent to consumer, commercial, and investment banking space for three decades. She started her career in 1984 with Grindlays Bank PLC (now a part of the Standard Chartered Group). In 1987, she joined Lazard as Head, International Finance and Advisory Services. She joined ABN Amro in 1992 as Head of Structured Finance and was responsible for setting up the Corporate Finance and Project Finance business in India. In 1997, she took over as Head of Corporate Finance Advisory for Asia (based out of Singapore) and was in charge of several restructuring mandates to build profitability post-Asian crisis. As Chief Operating Officer (COO) for India in 1999,

Meera handled the integration of Bank of America's retail operations and implemented novel core banking and internet platforms for the consumer bank. In 2006, Meera became the Regional Head (Services) for ABN Amro Bank Asia where she administered the operations, information technology, and corporate services for 16 Asian countries and ACES, a global-shared services BPO launched in 2001. Prior to the merger of ABN Amro Bank with Royal Bank of Scotland (RBS), she was Chairman and Country Executive for ABN Amro Bank. She has also been associated with the apex industry bodies in India and was a Member of the National Executive Committees of Federation of Indian Chambers of Commerce and Industry (FICCI) and Confederation of Indian Industry (CII).

Meera Hiranandani (maiden name) is the daughter of a very distinguished Indian Naval Officer, Gulab Mohanlal Hiranandani, credited with the ideation and success of *Operation Trident*, the crippling Naval attack on Karachi during the India-Pakistan War of 1971. While she spent her childhood in many different coastal towns and cities of India, she completed her graduation from Sydenham College in Mumbai in 1982. With a desire to get a European experience in higher education, she pursued her MBA from INSEAD, France in 1983. She is a Fellow of the Chartered Institute of Bankers (UK), and an alumnus from the 2006 batch of the Advanced Management Program at Harvard Business School, USA.

In addition to her leadership roles in the Indian Banking and Financial Services industry, Meera has always had a heart for social and cultural commitments. She has been associated with many social and educational institutions in the NGO (non-governmental organizations) space. She is a Board Member of Pradan, AIESEC India, and Liberals India for Good Governance – the Indian Liberal Group; and Member, International Board, Right

To Play (a global NGO that uses the transformative power of play to educate and empower children facing adversity). She also serves in the Supervisory Board of Jai Hind College, a leading college in South Mumbai. In 2011, Meera was invited as the sole Indian representative by Secretary of State Hillary Clinton to join her International Council on Women's Business Leadership (ICWBL). During her three-decade long career in the banking industry, she had been invited to address many prestigious conferences including the Climate Summit in Copenhagen, Women of the Future Summit in the UK, Nikkei Summit for Asian Women Leaders in Tokyo, and the Global Competitiveness Summit in Seoul.

As seen from her track record, Meera has been a seasoned banker. And yet, she has been able to invest her time and passion to make a positive difference in societies where she worked. While at RBS, she chaired the RBS Foundation and mentored its Microfinance program that financed over 650,000 women in rural India. She also focused on issues of women's empowerment and economic independence. To serve this mandate, the Foundation provided livelihood assistance to 75,000 female-led households in threatened ecosystems in and around India.

Throughout this interview, we are able to see two very distinct facets of Meera Sanyal. The first is that of a prudent banker, groomed over many decades of hands-on work in the industry. The second one is of a thoughtful leader, who wishes to make substantial contributions towards the lesser privileged members of her fraternity and inspire similar efforts through her peers and collaborating institutions. She foresees the banking industry and the corporate world at large increasingly playing this dual role in the future. The balancing act between profitability and social capital formation would be vital, as one without the other may not be sustainable. Though she has received education from some of the best business schools in the world, her style of leadership is rooted in the Indian cultural and social context. She challenges some of the established notions about the role of banks and the strategies used in order to meet targets and growth. In fact, she suggests a new approach to management and leadership that is focused on empowerment of the populations at the base of the pyramid, one that is sensitive to ecology and the precious resources with which nature has endowed mankind. While Meera Sanyal currently heads the Policy Research and Analysis Group of the Aam Aadmi Party (a regional political party in India), at the time of this interview, she was the Country Head of Royal Bank of Scotland (RBS) India.

The Interview

Banking Industry and the Larger Ecosystem

1. In your opinion, what is the basic purpose of an Organization in the banking and finance industry?

I think banking is a very important enabler for all economic activity. The real purpose of banking is to channelize savings at an individual level to being put into productive use for the community at large. Banks play that very important intermediary role. Because by human nature we work hard, we like to save for a future date, and the alternative to having a healthy banking system is basically keeping that money under your pillow, which means it does not come into productive and gainful use. If it goes through a banking system and it is used by the community for other productive endeavour, I think that is the true role of banks.

2. In your opinion, what are the critical success factors (CSFs) for an Organization in the banking and financial services industry?

What has happened with the banking and financial services industry is that we have started having a very short-term focus, on the next quarter's profitability. And a lot of that profitability is directed only at one stakeholder: the shareholders. But if one looks at this larger purpose of banking, then what you should truly be measured by is the progress of that community or that society in which you work as a whole. And I would actually say that a lot of the dissatisfaction we are seeing towards banks and financial services industry is because this industry as a whole has not taken that into account. I would also widen it and say that it's not just economic returns to the community that we need to look at. We need to look at a broader context, we need to look at other indicators of that society. And even though it is somewhat an esoteric concept, I think the concept that is used by Bhutan, in terms of Gross National Happiness,¹ is a very interesting concept for us to look at, because it looks at a variety of parameters which are beyond merely economic parameters. So for example, it looks at the environment, the health of the environment, the quality of air and the quality of water, and all of those things which are important and essential to us as human beings, but also to other beings on this planet. And so my sense is that if you truly want to judge the success of any organization, but also of banks, then we should look at the economic, but also other progress and health indicators of the community in which we function.

3. What are the CSFs for the head of such an Organization?

In my own objectives each year, there are financial objectives which we all have to meet, but there are also objectives in terms of strategic progress. How do we define our strategic progress? What is it that we are going to be doing? There are objectives in terms of the people within the organization, very important objectives in terms of customer satisfaction, do we meet those customer objectives? But in my own objectives is a very important element, which I put under my personal objectives, which are related to the work of the RBS Foundation. We have a Foundation in this country (India) and we work basically in providing alternative and additional livelihoods to women across the country. That has been our focus. And the areas in which we work are basically threatened ecosystems. The reason we do that is because the environment also is personally important. Also, some of our poorest and most disadvantaged people are tribals who are living in these forest areas. And so by the projects we do there, I would like to feel that we are making a double impact. We are making an impact on poverty, and also on the ecosystem. And in my own objectives, this has been a very important area.

Example: Visits to Villages

I have now taken it one step forward because I found that it was all fine just being a head of a foundation and going out for one day to visit it. I felt it required a deeper engagement and a deeper understanding. I have worked with this organization (ABN Amro Bank, which later got acquired by RBS) for 20 years and have a lot of accumulated leave.

So I have drawn down on that and taken two and a half months of leave and have been travelling through the villages of India. April, May, and early part of June (2012), I was in the villages. Now since I can't take such long periods off, I'm taking one week off each month. So two weeks ago I was in Ladakh. Later this August (2012) I will be in Tamil Nadu.

¹ The King of Bhutan, Jigme Singye Wangchuck, floated the concept of Gross National Happiness (GNH) in 1972. He used this phrase to signal his commitment to building an economy that would serve Bhutan's unique culture based on Buddhist spiritual values. GNH value is proposed to be an index function of the total average per capita of the following measures: economic wellness, environmental wellness, physical wellness, mental wellness, workplace wellness, social wellness, and political wellness.

So I will continue my journey to really understand what is happening on the ground, and whether our interventions are making any impact? Can we do things differently?

4. What role does Corporate Governance play for organizations in the banking and finance industry?

I think governance plays an important role in every field of life. It plays a role in how you manage yourself, it plays a role in how you manage your family, it plays a role in how you manage your organization, how you manage your housing society, it plays a role in everything. I think when we use it as a word we use it as rules and guidelines. It really boils down to some very simple things.



- **Treating Customers Fairly:** First of all, you should treat others as you would like to be treated yourself. So as far as that concerns banking, I think that really boils down to treating customers fairly. Have you treated the customer the way you would like your mother to be treated? The way you would like your child to be treated? It really boils down to that.
- **Use of latest technology:** Beyond treating customers fairly – are you making use of the knowledge of the latest technology to provide the best possible service?

I think it is two sides – one is just treating people fairly, but the other is how can I help you? Banks can be a very powerful enabler. The base line is that you must treat customers fairly, you must be honest, you have to have good practices, you should not cheat anyone. But beyond that, banks are an enabler, how do we go out and how do we make the lives of the people in our community and the lives of the people who work with us, better? Those are the two things we have to look at.

5. Does your Organization put pressure on customer organizations to insist that they improve their Corporate Governance practices? I have read that RBS India lends a lot to MSMEs. Are any minimum pre-lending requirements in place?

Let me start at a very high level. There is a set of principles globally which is called the Equator Principles.² As you know RBS was earlier ABN Amro. And ABN Amro and RBS both were founder members of the Equator Principles where they applied what they called ethical, social, and environmental filters to all of the large projects we were lending to. So, for example, if you go into mining and hydro-electric power plants – in the 1980s and 1990s, as the initial protest started against these, it became clear to many people that if you lend to a project which does not have community support for whatever reason, then the project is going to get delayed, and as a banker you will lose money. It's very straight forward. So a group of banks got together and formed these Equator Principles. I think I was very privileged to work with some people within ABN Amro who had drafted this, and I

² The Equator Principles is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects. It is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.

found them to be extremely sensible. So within the bank, within RBS today and within ABN Amro earlier, we adopt these principles. So that's on the large scale.

If you come down to our regular lending to corporates or to small enterprises or to micro enterprises and the entire scale, what is becoming extremely clear is if the organization is well-governed itself, it's a good credit risk. If it is not well-governed, it is going to be a bad credit risk. So we started at the very top, but you can go also to micro-enterprise and the crisis we are now seeing for example in Andhra.³ What is the genesis of the crisis? There has been over lending to a very poor woman, who may not have the ability to manage it correctly, and also does not have the earning capacity to repay these multiple loans. But at that very basic level there has been a failure of governance. Of course, institutions lent excessively, but at that level, and our women are very sensible across the country, that woman was persuaded, because I don't think any woman really makes such a foolish decision herself. She was persuaded by the people around her that it was alright to take this and it did not matter if she did not repay now. So what you have is a failure of governance at that level. And wherever you have a failure of governance, you will have a failure of credit risk, it's very straightforward. So as part of the credit process, it is incumbent that you look at what is the governance of that. And someone I respected a great deal in banking, who unfortunately died in the 26/11 attacks,⁴ Mr. Kapoor,⁵ always used to say to us when we were young bankers. He said, *"When you make the loan you must always look at two things, one is the ability of the borrower to repay, but you must also look at the intent. You must sit across the table from who is borrowing from you and look into their eyes, and make a judgement, is he planning to repay or not? It does not depend on your income level. Some of the richest people are dishonest, and some of the poorest people are honest."* And as I have gone around this country in the villages, this I will tell you, India has no problems. If we rely on the hearts of the peasants of this country, we are in very good shape.

6. Today, organizations are almost forced to a short-term, quarter-to-quarter approach vs. a long-term approach aimed at mission accomplishment. What are your views on this?

I think the real question goes down to: What is your goal? I read a beautiful book called "The Living Company" by Aries De Gues. It focuses on a very significant question: What is a company? What is the role it plays? What is the life of a company? When you come to the question of quarterly forecasts, actually what is the horizon of any financial institution, bank or any organization for that matter? I think that is really a question that is a two-way question. I think it is a question we have to ask of the society. It's also a question we have to ask of the leaders of organizations. If society as a whole, of which media and analysts and everyone is a part, believes that the short-term goal is what has to be delivered on, then you are forcing organizations to behave in a certain way, because they will have to live up to that expectation. It doesn't matter how farsighted the leader of an organization is, he or she will be out of the job unless he delivers the quarterly result. It's very straightforward, right? So if society as a whole has that demand on an organization, then you will have to have a short-term focus.

³ From the year 2010, the microfinance sector in the Indian state of Andhra Pradesh was marred by a series of mishaps that occurred due to extensive lending. These resulted in over-indebtedness and ultimately defaults. Lending institutions resorted to coercive measures for loan recovery that led to suicides amongst borrowers.

⁴ Between November 26 and 29, 2008, 10 members of the Lashkar-e-Taiba, an Islamic militant organisation, carried out a series of twelve coordinated shooting and bombing attacks across the city of Mumbai. Ajmal Kasab, the only attacker who was captured alive by Mumbai Police, later confessed upon interrogation that the attacks were conducted with the support of the ISI, Pakistan government's intelligence agency. Over 160 people were killed and more than 300 wounded in this attack.

⁵ Ashok Kapoor was killed in the terrorist attack in Mumbai on the 19th floor of the Trident Hotel. He was the Non-Executive Chairman of YES Bank, a leading private sector bank that he helped establish in 2004. Prior to his role at YES Bank, Kapoor worked in senior positions at Grindlays Bank and ABN Amro. He was the Managing Director of Rabo Bank India.

I think increasingly society is getting split. There is that “old world” of analysts and the media who are all focusing on this. And there is the “larger world” of citizens’ movements, of the occupy movements, who are saying that it does not work for us. We’re demanding “other things” of organizations. It hasn’t exactly been crystalized what those “other things” are. And I think the real issue has been that over the last several decades, since the large, great depression, financial capital has been in short supply and therefore has commanded the highest premium. This also reflects in jobs. So investment bankers get the highest pay. Why? Because that was regarded as the scarce commodity. I think in the world that we’re moving into, financial capital is no longer a scarce commodity. It will gradually be treated on par with other things. The question is what is that scarce commodity? And my sense is that it is going to go down to things like ethics, values, environment, clean air, clean water, basic human contentment and happiness. So it’s basically the evolution of society from something very short-term to something in the long-term. Till that transition takes place, organizations will have to juggle the balance.

Stakeholders Management and the Real Issues

7. What is the role of the Organization Leadership in a stakeholders-focused Organization?

The role of leadership is important for everything, not just Stakeholder Management. Once again, I think a lot depends on the leadership of the organization. But a lot depends also on the owners of that organization. That is a reality. No matter how inspired or brilliant a leader you might be, the people who give you that mandate, if it is the owners of the company who are giving you that mandate, then you will be guided by them. If it is the Board of the company giving you that mandate, it will be guided by them. So you have to see where you are getting that mandate from. I think that is also true of the politics of a nation. So we blame our leaders, but the question is: Who has given them the mandate? It is the mandate of people. So it’s again a balance between the two.

8. RBS India emphasizes the need to enhance employee engagement by involving employees in community investment initiatives in a variety of ways. What has been their experience?

One of the things which we discovered quite early in the day was that there is really nothing much to distinguish one bank from another. So from an employee perspective whether you work with bank “x” or you work with bank “y” – typically it boils down to how much “x” pays you vs. how much “y” pays you. But increasingly what I found among our younger staff who would come here is that a lot of people would come to me and say, “*You know Meera, we’ve got a better job offer.*” So I would say, “*Okay, I’m very sorry you’re leaving.*” And they would say, “*No, but we’re not leaving.*” So I would say, “*Why are you not leaving?*” So they would say, “*We like it here,*” and I say, “*Why do you like it here?*” A lot of people just said, “*We like the atmosphere here, we like being here, we like this and we like that.*” But a lot of other people said, “*We like your values, we like what RBS stands for.*” And when I said, “*What does that mean?*” A lot of people identified it with the work of the foundation. So if you as a bank do good things, then we as people like to work with you because we are good people. That is the implicit message I get.

Example: The Magic Hands Project at Sunderbans⁶

⁶ A UNESCO World Heritage site, the Sundarbans is a natural region in Bengal region comprising Bangladesh and Eastern India. It is the largest single block of tidal halophytic mangrove forest in the world and covers approximately 10,000 square kilometres (3,900 square miles) of which 60% is in Bangladesh and the remainder in India.

Within the foundation we started a program which was called “Magic Hands.” This was meant for employees who want to volunteer, and get engaged in what we are doing. It started with our existing project in the Sunderbans. When we went there, I asked our partners, *“What is it that our employees can do?”* This was when we had started the Magic Hands Project. They said that one real problem we have over here is medical facilities. Apparently in Sunderbans, which has a population of about 3.5 million people, there is no registered medical practitioner. So the partner organization, even though what we’re doing is livelihood enhancement, also has medical camps. So he said, *“Why don’t you send your people for the medical camp?”* So I thought about it, I said this does not sound like a very good idea, because we have bankers, and not medical students with us. So then he said, *“What can your bankers do?”* He put the question to me. So I thought about it and said, *“So what is it we are doing here?”* As bankers, we should be able to measure what we are doing. So what are we trying to do? We’re trying to lift the economic indicators of the communities where we are working, wherever these villages are. Therefore, we should be able to do impact assessments. We should say what was the baseline when we went in? What is the mid-term? And where have we reached? And in some cases you will succeed, and in some cases you will fail. But that information, just as you are doing in your post-doctoral research, is of value. So we can know the interventions that are successful and those which need to be improved. So over the last three or four years, we have been training people in impact assessments both for bio-diversity and for poverty assessments. And our people have been going out into the field and doing this across the country. Equally that’s what I have done myself. To go and spend time there, see and understand. As an organization, we give four days of paid volunteering time in a year to our staff to go. Of course we pay for them to go by train and whatever it is to stay there, the accommodation is modest. And it is evaluated, and taken into account in the appraisal, but in an informal way. Certainly what counts will be your objectives for the year. We are not yet at a stage where we can say, *“It is wonderful that you spent all this time but by the way you still have to deliver on your performance objectives.”* So it is this and that, and not this or that.

9. Has the involvement from the employees been wholehearted? You said they are given four days off a year for such activities. Is it voluntary?

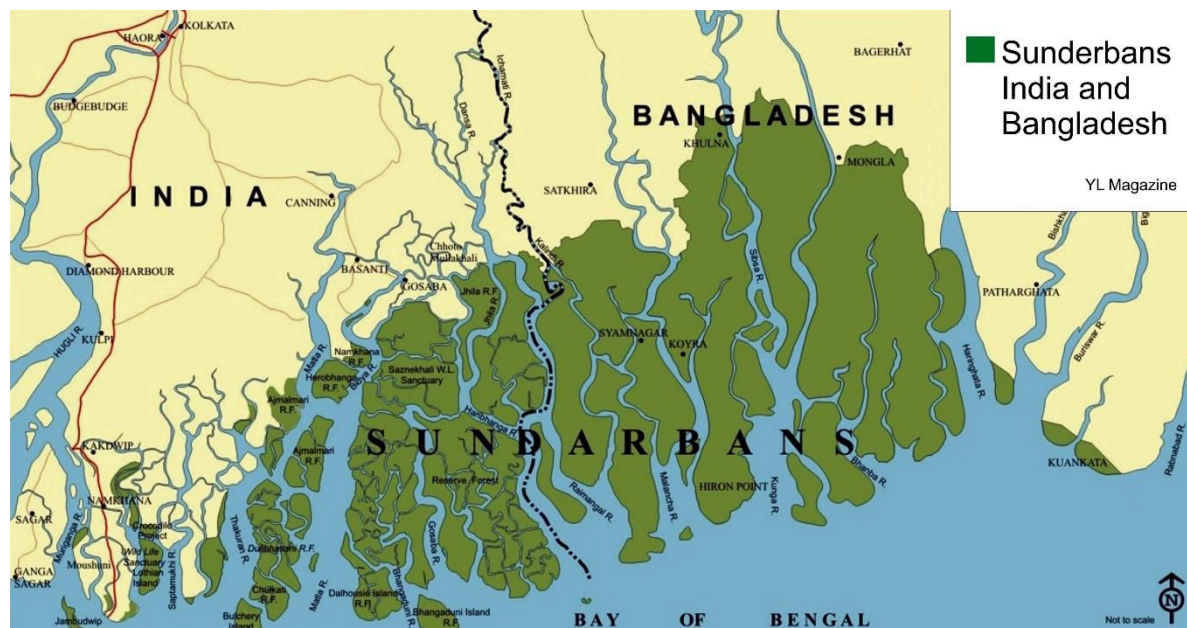
It is completely voluntary. What I have found which is really important to me personally is that over the years, I’ve experienced that people who care deeply about their families, who care deeply about their communities, will also be the same people who deeply care about their clients and their organization. I have found that our best employees are those who have this interest in life, in community and society. So there is a link between social sensitivity and business performance.

10. RBS India has spearheaded a number of initiatives for financial inclusion. The Microcredit Business, Microfinance Technical Assistance, and the Livelihood Support are among the major initiatives. You are also the Chairperson of FICCI’s Financial Inclusion Committee. Through these initiatives, do you think RBS India has been able to make a substantial contribution to the originally targeted communities?

There are many and I’ve been putting them out on Facebook and Twitter. I’ve done some blogs also. There has been strong and real impact, there’s no question about that. Some projects have not worked as well. So I would say our success rate is 70-80 % which given the areas we work in I’m quite pleased. We have done some very good work with *“Pani Panchayats”*⁷ in Gujarat. Our partner organization there is DSC. I have mentioned the

⁷ *Pani Panchayat* is a voluntary activity of a group of farmers engaged in the collective management (harvesting and distribution) of surface water and groundwater (wells and percolation tanks).

Sunderbans Project. There is really superb work going on. Remember, each one of us is only a drop in the ocean, the ocean is a wider one. Many of the things which we have achieved may only affect one or two or three villages. But they can be a catalyst for others.



Example: The Mangroves at Sunderbans

We went into three villages in the Sunderbans area. As an associated activity we wanted the children and women not to go into the estuary.⁸ Basically they used to do prawn-seed cultivation. So we gave them these alternatives and we only took a commitment – Don't send the women and children into the estuary. It's bad for the environment, but it's also bad for them. Every family we met had lost someone either to a snake bite, or to a crocodile bite, and one or two cases also to tigers.⁹ With skin infections, the children don't go to school. So we said, *"Please don't send them into the estuary."* We couldn't set up a school, so we didn't say, *"Don't do that."* We just said, *"Don't send them there, we'll leave you an alternative."* As an associated thing, we said we wanted to plant these mangroves, because that was good for them. So we paid them and set up nurseries. It's a long story but I'll just go to the end of the three years. After three years I visited the village. It had been hit by the cyclone Aila.¹⁰ We had planted 150 hectares of mangroves, nevertheless 100 hectares survived after the cyclone. And the villages where the mangroves survived had a lesser impact of the cyclone. One of the happiest moments of my life was when we were walking through the village, and suddenly I saw a school, a simple school, just a tin roof, and lots and lots of little children, wearing uniforms, no shoes, spilling out of the school. They all came and greeted me. I could not remember this school being there three years earlier. I said, *"Where has this school come from? It was not here three years ago."* So they said, *"This is our school"*. So I said, *"Yes, but who has set it up?"* They said, *"We have set it up."* I said, *"How have you set it up?"* I was told that there had been a rich NRI who had given some money. The villagers had put their money also and hired the teacher. Their children were now going to school; those children who are otherwise in the estuary.

⁸ Estuaries form a transition zone between river environments and maritime environments. It is a partly enclosed coastal body of brackish water with one or more rivers or streams flowing into it, and with a free connection to the open sea.

⁹ Sunderbans is a Tiger Reserve. The 2011 tiger census estimated a total of 270 tigers in this region. Every year around 50 people are killed in tiger attacks.

¹⁰ A relatively strong tropical cyclone, it caused extensive damage in India and Bangladesh between May 23 and 29, 2009. According to official statistics, over 330 people were killed, more than 8,200 went missing, and about one million people were rendered homeless by Cyclone Aila.

We never funded the school at all, but the villagers now had an alternative, and had done something. I call that real impact.

There is something even better that happened. A French company called “Danon” was trying to offset its carbon credits in France. They are also very active in Bangladesh and doing very good work with the Grameen Bank.^{11 12} So they came into the Sunderbans area, saw our project, and felt that it could be used to offset carbon credits. They are now working with the same partner organization and planting 6,000 hectares.

So we are like a stone. I think all our efforts, yours and mine, are just like a stone in the pond. We don’t know where those ripples will go and what they will affect. So it is like that with the foundation. And as I said, I really wanted to see myself, how the impact of the Foundation is happening. And as I have gone through, I have seen not just what we are doing, because we are only one organization. In this country there are many organizations doing outstanding work. India is really in good shape. For all the negativity we see, there is a lot of positive things.

11. You have been nominated to TERI's¹³ Business Sustainability Council. In one of the interviews you said, “We must strive continuously to understand the role of business in tackling the critical issues of human development and environmental sustainability in developing countries.” In the Ethics Conference¹⁴ you had said, “What we do with our environment, and our generation is drawing on a debt for future generations which we know we cannot repay. This is an ethical dilemma which we have to deal with and deals with the issue of consumption as well.” What is the way out of this dilemma? How can banking and finance organizations contribute to sustainability issues?



Meera Sanyal (far left) at the Ethics and the World of Finance Conference at Prasanthi Nilayam

¹¹ A Nobel Peace Prize-winning microfinance organization and community development bank, it was founded in Bangladesh in 1983 by Professor Muhammad Yunus from the University of Chittagong. The Bank makes small loans to the impoverished without requiring collateral.

¹² Danone Foods collaborated with the Grameen Bank and started a social enterprise “Grameen Danone Foods Ltd.” in 2006. It has been designed to provide children with many of the key nutrients that are typically missing from their diet in rural Bangladesh. A yogurt called *Shokti Doi*, is one of their very famous products. Its journey has been studied in a Harvard Business School (HBS) case study by Professor V. Kasturi Rangan, Co-Chairman, Social Enterprise Initiative at HBS. It is available at: <https://hbr.org/product/grameen-danone-foods-ltd-a-social-business/an/511025-PDF-ENG>

¹³ Established in August 1998 at New Delhi, the TERI University is the first of its kind educational institution in India with a dedicated focus on the study of environment, energy and natural sciences for sustainable development. It is among the top universities in the field of Sustainability.

¹⁴ A two-day Conference on the theme ‘Ethics and the World of Finance’ was organized at Sri Sathya Sai Institute of Higher Learning, Prasanthi Nilayam, India in August 2009. Along with Meera Sanyal, over 30 CEOs and heads of private and public sector banks of India had participated in its deliberations. The Governor of Reserve Bank of India – Dr. Duvvuri Subbarao, and world-renowned economist, Dr. Y.V. Reddy, were Guests of Honour. Details on proceedings are available at: http://www.saipublications.com/b009_Ethics_and_the_world_of_finance.html.

We have to consume less. My sense is it will come upon us. We have no option. And to be honest, this was also one of the reasons I was so inspired by this trip when I have gone into the villages, because clearly I was travelling by public transport and I was going alone. So I could only carry that much. I said to myself, *“For two and a half months I have to pack whatever I need in one bag, I cannot carry more than that.”* And I have been struck, first of all, by how little our villagers live on. They have few possessions, but they are very generous with them. And it’s not saying that their lives are good or comfortable and that we should all live in villages, not at all. But it is very possible to have a decent life with less. And for myself I have experienced that you can live with very little. To me what was interesting is that with all the things we consume and all the things we have, I don’t see people being happy. It is in a way a bit of an existentialism and Vedantic (spiritual) kind of philosophy. The more you have, the more you want, and the less happy you are. While this is all philosophical, the issue is what Mahatma Gandhi said, *“There’s enough for our need but not for our greed.”*

The Financial Crisis: In Retrospect

12. How do you perceive the financial crisis that gripped the corporate world across continents since 2008?¹⁵

I think it goes back to our earlier discussion: As a society what do we expect? At its very roots, there was excessive debt at a personal level, which became excessive debt at the bank level, which then became excessive debt for the financial services industry as a whole, and which now has become sovereign debt. So it is really going from that level. Who does one blame? Of course there would be individuals who are culpable in any particular way, but as a society this is what should be held out. It was the bigger car, the bigger T.V, etc. And funded not from what you would call the Protestant Work Ethic,¹⁶ or even the Indian work ethic, which is: You got your coat according to your cloth (living according to one’s means). That was simply ignored. The new philosophy was: You had to have more, and it’s very good to borrow. If that are the values and messages you are sending out, then who are you going to blame?

13. Prior to 1997, before the big banks came in a big way, the culture of borrowing was not as prevalent in India. People borrowed within their means and paid back silently. Today, we see hoardings all over encouraging people to borrow for vehicles, homes, education, etc. In a way there has been a dent on the culture of living within your means in India. What is your view on that?

I think two things, and you are also seeing it in the economic debate now, for example Krugman.¹⁷ I think he is one of the votaries of saying, You need to have more consumption that will drive more growth. That is one whole economic model of Keynes.¹⁸ That is the

¹⁵ Considered by many economists to have been the worst financial crisis since the Great Depression of 1929, it threatened the collapse of large financial institutions. This was prevented by the bailout of large banks by the US and other national governments. But stock markets still dropped worldwide. The housing market also suffered, mainly in the US, resulting in evictions, foreclosures and prolonged unemployment. The crisis played a significant role in the failure of key businesses, declines in consumer wealth estimated in trillions of US dollars, and a downturn in economic activity leading to the 2008–2012 global recession. It is also attributed as the prime contributor to the European sovereign-debt crisis.

¹⁶ The Protestant work ethic emphasizes that hard work and frugality are a result of a person’s salvation in the Protestant faith, particularly in Calvinism. This is in contrast to the focus on religious attendance, confession, and ceremonial sacrament in the Catholic tradition.

¹⁷ Paul Krugman is an American economist and Professor of Economics and International Affairs at the Woodrow Wilson School of Public and International Affairs at Princeton University, and Centenary Professor at the London School of Economics. In 2008, he received the Nobel Memorial Prize for his work on international trade.

¹⁸ Keynesian economics is the view that in the short run, especially during recessions, economic output is strongly influenced by aggregate demand (total spending in the economy). Based on the landmark work of British Economist John Maynard

Keynesian view of the world. The question which has to be asked is, “*Is it sustainable? Is it sustainable from a planetary perspective? Is it sustainable from an economic perspective?*” You see the crisis in Europe.¹⁹ “*Is it sustainable from an individual perspective?*” To me the answer is “no.” And, if it is therefore not sustainable, then don’t do it.

14. But we see all the banks doing it. We know that we are going to face something, but yet our practices are not in alignment with that knowledge. Where will it all end?

Because the incentives are not in alignment with that knowledge. That’s the problem.

15. So where will that change come from? At an organization level?

It has to be at a societal level. The protests which we are seeing of “Occupy Wall Street”²⁰ and the like, what are they saying? They are saying that this current world order does not work. Until your (interviewer) generation comes into power, all our generation has to do is to protect the status quo for 20 years, because by the time your generation comes into power, for you the environment and other problems that we are facing will be obvious. Today we have to prove to someone that you have to preserve the tiger, you need to preserve this spider, you need to preserve this forest. We have to go out and build a business case for this. For your generation, this will be evident. Else we wouldn’t survive. Our generation doesn’t get it. I have talked to some of my very good friends, people who are highly enlightened, who have this world view. Now, I hope that they are right and I am wrong. But on the face of it, it doesn’t stack up to me. I could be wrong. Therefore, I think all we have to do is to manage until a new generation of leaders grows, who sees this other world view. And then we will have a different society.

Personal Value Systems and Their Relevance

16. Do ethics and personal value systems of organizational leaders play a role in business – especially in the volatile banking and finance industry?

Of course, it’s all integrated, you can see that.

17. Have your personal spiritual beliefs of business played a role in your leadership style? Any experience?

Very much so. My father was in the Indian navy, and there’s just my brother and me. One of the things, if I think of my father it’s only this, his standing statement to us was – You must serve your country. That was what we grew up with. Now it sounds in many ways idealistic, it sounds quite strange, why would he say that? But that was our corner stone. And you turn around and say, “*OK how do we serve our country?*” And he would say, “*You serve your country by working hard and every day being honest about what you are doing. That is also serving your country.*” For example, he would say, “*Always pay your taxes,*

Keynes and his book published in 1936, this model advocates a mixed economy – predominantly private sector, but with a role for government intervention during recessions.

¹⁹ The Eurozone crisis is a multi-year debt crisis that has been taking place in several Eurozone member countries since the end of 2009. These states, popularly referred to as PIIGS (Portugal, Ireland, Italy, Greece, Spain), were considered economically weaker and unable to repay or refinance their government debt or to bail out over-indebted banks under their national supervision without the assistance of third parties like the European Central Bank (ECB) or the International Monetary Fund (IMF).

²⁰ Occupy Wall Street (OWS) was a protest movement that began on September 17, 2011, in Zuccotti Park, located in New York City’s Wall Street financial district. The main issues raised by the protesters were social and economic inequality, greed, corruption and the perceived undue influence of corporations on government, particularly from the financial services sector. The Movement received global attention for its focus on social and economic inequality worldwide.

because they pay the salary of people like myself.” Simple things like that. Now these go to the value systems of children as they are growing up.

But more importantly when you talk about spiritual values, one of the things that I find which I have to do every day, is I walk for an hour every morning. I do half an hour of “*Pranayam*” (an ancient Indian Yogic breathing exercise) every morning, and while I am walking I say my prayers. And I really find that it grounds me for the day because as you are saying your prayers, of course you know, your mind is also thinking about things, I think of the day, I think of the previous day, I think of whatever it is. And you know I close my day with really saying, “*God help me to do my duty and what is right today.*” Basically that is the essence of all our prayers. And I really find it helps my day. For some reason, if this routine is disturbed, then it’s a more difficult day than it would have been otherwise.

18. How do you manage conflicts and crises?

I think, through reflection. What I try and do, and it’s often difficult to do, is I try to take myself out of it. Because we all have an ego, and the ego comes in and that I think aggravates the conflict. So one of the things I try to do every morning is to take myself out of it and see what the issue is? And in the interest of the people, in the interest of the clients, in the interest of the organization, what would be the best solution? And I find that there is a good way to resolve the conflict. Keep your own ego out of the situation.

19. You have been invited by Secretary of State Hillary Clinton to join her International Council of Women Business Leaders, which focuses on the economic empowerment of women for global economic prosperity. In the current banking industry, we see many women leaders at the helm of affairs, unlike the past decades. What do you think has changed? How do you think could you contribute to this issue through your presence at such fora?



Meera Sanyal with Secretary of State Hillary Rodham Clinton

I feel that everywhere in the world, certainly of course in India as well, women take a lot of the load of economic, but also family activity. I was discussing with my son the other day, we were doing a kind of 101 of economics, GDP (Gross Domestic Product), etc. And we

were discussing the same thing about the GDP of a farmer. He doesn't know the price of wheat or whatever. It is being produced, there is economic value to it, but it is not entering the GDP data. I think it's the same with the efforts of women. The work is there, the contribution is very real and very material, and indeed I think is very significant from a family point of view. I mentioned my father, but my mother is a lawyer, and much of our education, because father used to be away and at sea a lot, is because of her, she anchored us. And she always said that she invested her education in her children, which I feel the benefit of even today. So there is real value in it. Sometimes it is recognized and sometimes it is not. Why do you recognize me? Because I am working in this position. Does it mean that the value that my mother has contributed is less significant? No, in fact I will straight away tell you that the value she has contributed is much more significant. And that is true of many of our mothers and sisters who are not in the work force.

So, what I will say on this forum and indeed on Hillary's forum is: How do we empower more women to have their efforts recognized? I believe that whether your effort is as a homemaker, as a mother, as a banker, as anything, there is value in it. What we have to do is to find ways to make your life easier, as simple as that.

And many of these villages I have gone to, I have said, *"Which is that activity, which will generate more income for you and reduce your labour?"* Once we were sitting in a village meeting, and we were talking about livelihood alternatives. I was talking to one woman, and she said, *"Behenji Aap Hame Yeh Bataiye, Ki Aap Kya Hame De Sakte Hai Jo Hamara Kaam Kam Kare Aur Hamare Amdani Badhaye"* (Sister, please tell us what you can offer to us that can help us earn more with lesser efforts). And everybody started laughing at her; and I said but actually that is the question. How do we reduce the hard work?

Women everywhere, by the way men also, but women have the double role. Whatever you do, you have to make the food, you have to clean the utensils, you have to get your children ready for school. At whatever level, there is the work of the mother, the wife, plus whatever you are doing. So how do you reduce that effort, and improve the income so that she has either more time for leisure or more time to invest in the children or whatever it is. That's what we have to do.

Respect the work whatever it is, I mean people make a lot about how do more women enter the work force? All women are already in the work force. They are not being paid for it, that's a different state, that doesn't mean they're not in the work force. How do we make their lives easier and better? How do we empower them? How do we give them a voice? That is our focus area.

Author Introduction

Dr. Shashank Shah is an eminent researcher in the area of Corporate Responsibility and Stakeholder Management Strategy and has contributed immensely to the field through original ideas and pioneering analyses. He completed his doctoral and postdoctoral research in Corporate Stakeholders Management at Sri Sathya Sai Institute of Higher Learning (SSSIHL), India, and received the Association of Indian Management Scholars International Outstanding



Doctoral Management Student Award 2010 at the Indian Institute of Management, Ahmedabad, in 2011. He was awarded the President of India Gold Medal and the Governor's Gold Medal for standing first in the MBA and M.Phil. Programs at the University.

He has published over 70 research-based papers, case studies, and technical notes in peer-reviewed national and international journals in the areas of Stakeholders Management, Corporate Responsibility, Corporate Governance, Business Ethics, Integral Education, and Humanized Healthcare. These have been published by eminent publishers including Harvard Business School, Sage, Emerald, Macmillan, and Penguin Random House Publications. He has also co-authored four books and two monographs in these areas. His magnum opus, "Soulful Corporations: A Values-Based Perspective on Corporate Social Responsibility" was published by Springer in 2013 as part of the India Studies on Business and Economics Series. He has presented research papers at international conferences at Harvard University, USA, and INSEAD, France; and has been invited to present his work at institutions in Italy, Brazil, Turkey, Malaysia, Japan, and India.

In 2011, Dr. Shah was Visiting Scholar at the Centre for Corporate Social Responsibility (CSR), Copenhagen Business School, Denmark. He has been an Invited Resource Faculty at Executive Development Programs in the CSR area organised by the Harvard University, World Bank and the Govt. of India; and by the School of Management, Indian Institute of Technology Bombay. He is Fellow, European Institute of Spirituality in Economics and Society (SPES); International Advisory and Editorial Board Member, *Journal of Values-Based Leadership*, Valparaiso University, USA; and Reviewer for the *Journal of Human Values* (Sage Publications), and the *Journal of Management, Religion and Spirituality* (Taylor and Francis Publications). During his doctoral and postdoctoral tenures, he interviewed over 175 top executives, heads of companies, industry captains, academics, subject experts, and policy makers, and built a veritable knowledge base of insights in the field of Stakeholders Management and Corporate Responsibility of a collective experience of 3,500 human years.

Currently, Dr. Shashank Shah is a Jamsetji Tata Trust Grantee for pursuing advanced research in the field of Corporate Responsibility. He has a joint appointment as Visiting Scholar at Harvard Business School, and Project Director and Postdoctoral Fellow at Harvard University South Asia Institute (SAI), USA. He can be contacted at: shashankjshah@gmail.com.