

**Leadership for India Inc: Practical Concepts and Constructs**  
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**Week - 11**  
**Leadership Philosophies**  
**Lecture - 55**  
**Organizational Totalitarianism**

Hi Friends, welcome to the NPTEL course Leadership for India Inc: Practical Concepts and Constructs. We are in week 11, discussing leadership philosophies. In this lecture, we focus on organizational totalitarianism.

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**Totalitarianism**

Totalitarianism refers to a state or system (of a country or government) in which only one political party has complete power and control over the people. In a democracy, plurality of parties is the essence. That said, there are countries which are totalitarian marked by one-party rule. Totalitarianism has a different corporate context.

- Corporations are neither democracies nor totalitarian states. They need to be plural in thoughts but singular in purpose and process to accomplish goals.
- For corporate effectiveness, discipline is required as much as discussion; delivery is required as much as debate.
- Leadership in corporations is neither self-selected nor voted in. There exist no manifestoes for leaders to be analysed prior to selection.
- If organizational leadership and process is misused for complete control and power over the employees, it is tantamount to organizational totalitarianism.

**DISCLAIMER**  
The observations, references and interpretations herein may not be generalized to any and all companies, organizations or entities. The discussion does not purport to state or imply that companies, organizations or entities and/or their leaders are necessarily totalitarian. It is acknowledged that for every few ones that could be totalitarian there would be several others that are prudentially managed and well-run. The dramatization and demonstration of the totalitarian concept is only for educational purposes.

Authoritarian style of leadership is not the same as the totalitarian system. In the former, individual members would have certain leeway and liberty but in the latter no such option exists.



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Totalitarianism has a different corporate context. Corporations are neither democracies nor totalitarian states. They need to be plural in thoughts, but singular in purpose and process to be able to accomplish goals. For corporate effectiveness discipline is required as much as discussion; delivery is required as much as debate.

Leadership in corporations is neither self selected nor voted in. There exists no manifestoes for leaders to be analysed prior to selection. If organizational leadership and process is misused for complete control and power over the employees, it is tantamount to organizational totalitarianism.

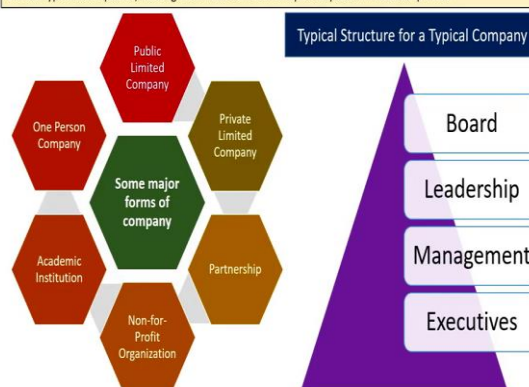
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### Corporate Structures

The graphic on the left details the typical legal forms of companies that have evolved over the centuries while the graphic on the right illustrates the typical management structure which by and large remains relevant for various types of companies, although it is more refined in respect of public limited companies.



Irrespective of the form of the company and the management structure, the common thread of organizations is one of seeking alignment, compliance and conformity. However, it should not move into totalitarianism.



The graphic on the left details the typical legal forms of companies that have evolved over centuries, the graphic on the right illustrates the typical management structure which by and large remains relevant for various types of organizations, although it is more refined in respect of public limited companies.

We have different types of companies such as partnership, private limited company, public limited company, one-person company, academic institution, not for profit organization. Similarly, in terms of layers as we have considered several times; we have executive layer, management layer, leadership layer and finally, the supervisory board layer.

Irrespective of the form of the company and the management structure, the common thread of organizations is one of seeking alignment, compliance and conformity. We discussed even that these kinds of models should be replaced by alignment, influencing and self directing. Organization should not move into totalitarianism for any reason.

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**Corporate Totalitarianism**

It is open to debate, however, if every corporation is run with the most optimal objectives and outcomes, which are appropriate in a broader economic and social context. The debate has become sharper with the emergence of a few examples of individual and corporate malfeasance, across nations and jurisdictions.

ENRON  
Enron, USA

SATYAM COMPUTERS  
Satyam Computers, India

DAEWOO  
Daewoo, S. Korea



GITANJALI  
TRUST FOREVER  
Gitanjali Gems, India

Corporate Misdemeanour

Poor Controls

Exploitative Market Behaviour

We have practices of exchange regulations, corporate governance, corporate social responsibility, board independence or CEO accountability. These have provided certain preventive and ameliorative assurance but have not altered the totalitarian way some corporations may still be run, with emphasis on conformity.



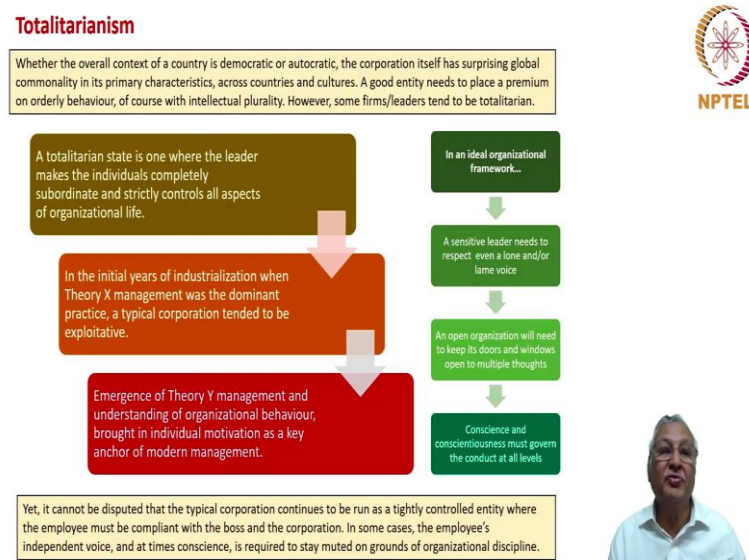
We can debate; however, if every corporation was or is run with the most optimal objectives and outcomes, which are appropriate in a broader economic and social context. The debate has become sharper with the emergence of a few examples of individual and corporate malfeasance, across nations and jurisdictions.

I have shown here four examples which have become popular stories of corporate malfeasance Enron, USA the energy trading company, Satyam computers in India, a pioneer in software industry, Daewoo South Korea a conglomerate, Gitanjali gems in India.

These are all the examples of how corporate malfeasance could go for years together disturbing not only the company's fortunes, but also the banking systems and investor fortunes. Corporate misdemeanor is usually, because of poor controls and exploitative market behavior.

We have several practices of exchange regulations, corporate governance, corporate social responsibility, board independence and CEO accountability. These have certainly provided certain preventive and ameliorative assurance against totalitarianism, but these have not altered the totalitarian way some corporations may still be run, with emphasis on conformity.

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Whether the overall context of a country is democratic or autocratic, the corporation itself has surprising global commonality in its primary characteristics, across countries and across cultures. A good entity needs to place a premium on orderly morality; however, some firms and leaders tend to be totalitarian.

A totalitarian state is one where the leader makes the individuals completely subordinate and strictly controls all aspects of organizational life. In the initial years of industrialization when Theory X management was the dominant practice, a typical corporation tended to be exploitative.

However, with the emergence of Theory Y management and understanding of organizational behavior, we had individual motivation becoming the key anchor of modern management. In an ideal organizational framework, a sensitive leader needs to respect even a lone and or lame voice.

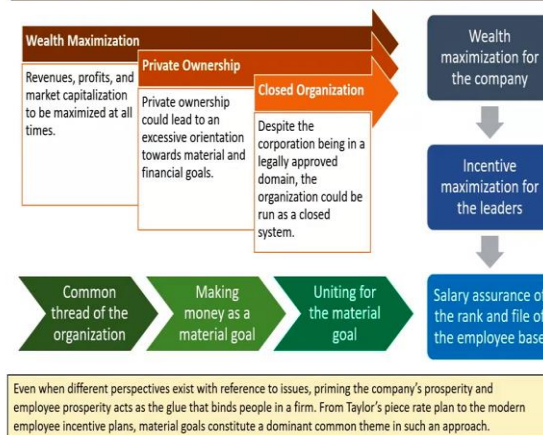
An open organization will need to keep its doors and windows open to multiple thoughts. Conscience and conscientiousness must govern the conduct at all levels. Yet, it cannot be disputed that the typical corporation continues to be run as a tightly controlled entity where the employees must be complaint with the boss and the corporation.

In some cases, the employee's independent voice, and at times conscience, is required to stay muted on grounds of organizational discipline. That is the worst part of corporate totalitarianism.

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### The Triggers

Corporate totalitarianism develops when the leadership is vested with unbridled power to achieve results, with little or no accountability for the long term health of the organization. Totalitarianism can also occur when the firm and leadership recognize no goals other than financial.



What are the triggers for corporate totalitarianism? It develops when the leader is vested with unbridled power to achieve results, with little or no accountability for the long term health of the organization. Totalitarianism can also occur when the firm and leadership recognize no goals other than financial.

So, there are three parts to this, one wealth maximization; the leadership always tries to maximize the revenues, profits, and market capitalization at all times particularly with emphasis on short term results. When a company is owned by private owners or even

private equity owners there could be an excessive orientation towards material and financial goals.

And if the organization is closed organization, there is always a heightened danger of totalitarianism. Although a corporation would be in a legally approved domain it is quite possible to run an organization as a completely closed and opaque system. The common thread of the organization under such conditions would be making money as a material goal.

Every member of the organization would be united to accomplish that material goal of making money. When you look at wealth maximization for the company and incentive maximization based on wealth maximization for the leaders then also is coupled with salary assurance of the rank and file of the employee base.

You can see the alignment of financial interests of all the partners to leadership and management. Even when different perspectives exist with reference to issues, priming the company's prosperity and employee prosperity acts as the glue that binds people in a firm. From Taylors piece rate plan to the modern employee incentive plans, material goals constitute, a dominant common theme in such an approach.

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### Ethical Debate: Altruism Vs. Materialism

Generally, material goals dominate altruist goals in organizations. While individuals may display altruism (as in respect of tireless services in the face of Covid risks by doctors, nurses, paramedics, sanitation workers, and police personnel, for example), the same may not be said of corporations in the normal course of business.



Examples of Materialism	Sin Products	Costly Healthcare	Capitation Fees	Debt Proficiency
The corporation could be in a legally approved domain but could be engaged in things that are exploitative.	A corporation in the tobacco or spirits industry, for example, seeks to maximize the consumption of its tobacco products or liquor products, despite the harm such goals may cause to the society and environment.	A hospital may prescribe unnecessary diagnostics, procedures and medicines and/or may charge exorbitant fees. Even in the Covid situation, instances of high-cost health packages were noticeable.	The practice of educational institutions charging huge capitation fees in exchange of admissions for non-meritorious candidates is well-known. From the lowest kindergarten grade to medical colleges, the practice still endures.	A corporation may squander public money in fancy pursuits. Many companies in India have misused liberal bank credit (which is nothing but public taxpayers' money), including through ever-greening of loans and bargaining of non-performing assets (NPAs).

Pursuit of microeconomic prosperity or survival should not be at the cost of macroeconomic destabilization. The buffeting of the banking system by the NPA problem is a telling reflection of this sad reality.



So, we can have an ethical debate on altruism versus materialism. Generally, material goals dominate altruist goals in organizations. While individuals may display altruism as

it was very evident in respect of tireless services rendered by doctors, nurses, paramedics, sanitation workers, police personnel, and so many others in the face of COVID risk.

The same may not be said of corporations in the normal course of business. There are several examples of materialism, but all these examples are taking place in legally approved domains, but we can also look at this as somewhat exploitative aspects of corporate behaviour.

One example sin products; a corporation in the tobacco or spirits industry, for example, seeks to maximize the consumption of its tobacco products or liquor products, despite the harm such goals may cost to the society and environment. Although not exactly the same case, a company which is manufacturing ice creams could be pretty happy if the summer results in intolerable heat levels, an air conditioning company may feel happy if the summer temperatures shoot through the roof.

These are not examples of sin products, but the companies are having a vested interest in society undergoing certain level of suffering. So, are they being materialistic, are the companies being altruistic or are they being materialistic. We have another example of costly health care a hospital may prescribe unnecessary diagnostics, procedures and medicines and or may charge exorbitant fees for this. Even in the COVID situation there have been instances of high cost healthcare packages that were reported.

The third example we have is that of capitation fees. The practice of educational institutions charging huge capitation fees in exchange of admissions for non meritorious candidates is well known. From the lowest kindergarten grade to medical colleges this practice still endures.

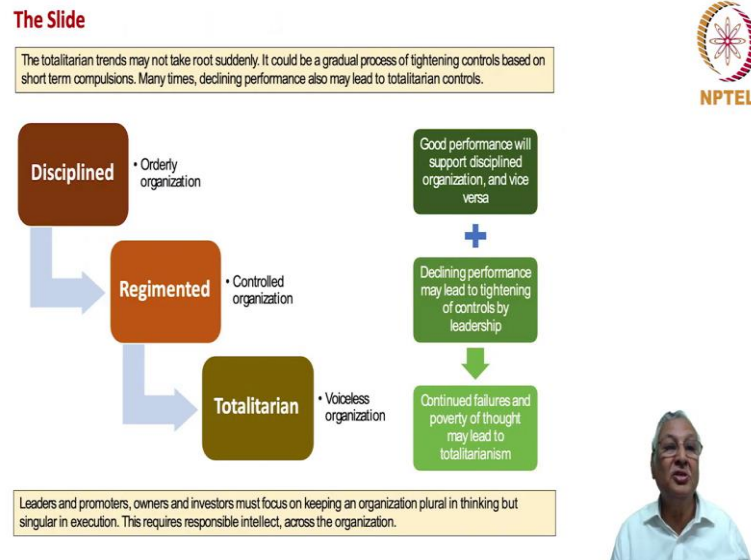
The fourth example is debt profligacy; a corporation may squander public money in fancy pursuits. Many companies in India have misused liberal bank credit which is nothing, but public taxpayer's money including through ever greening of loans and burgeoning of non-performing assets.

Pursuit of microeconomic prosperity at the firm level or survival at the firm level should not be at the cost of macroeconomic destabilization which is very relevant for the



broader industry, for the broader society, and the broader nation. The buffeting of the banking system by the NPA problem is a telling reflection of this sad reality.

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How does this slide towards totalitarianism take place? The totalitarian trends may not take root suddenly in an organization. It could be a gradual process of tightening controls based on short term compulsions. Many times declining performance of an organization may also lead to tightening of controls eventually, landing the company into totalitarian system.

Typically, the organization starts as a disciplined organization as an orderly organization then it could move into a regimented organization which is a tightly controlled organization. Finally, it could become a totalitarian organization which is a completely voiceless organization.

Generally, good performance will support disciplined organization and vice versa that is the virtuous state in which an organization and its leadership can stay; however, at times declining performance may lead to tightening of controls by leadership and continued failures and poverty of thought especially may lead to totalitarianism.



Leaders and promoters, owners and investors must focus on keeping an organization plural in thinking, but singular in execution this requires responsible intellect across the organization.



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**Beyond Economics**

Totalitarianism does not necessarily mean poor economic performance. Some totalitarian countries are leaders in the global economy. Some corporations are run autocratically but post good economic performance. The issue is not that. Humans need freedom of thought, expression and action to feel fulfilled, and to develop the broader society.



Human Spirit ↑	Freedom and empowerment, with guidance, provides more sustainable value	Control and command, under direction, limits value creation in organizations	↓ Directed Action
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The evaluation criteria for nation-states are not purely economic. They involve emotional and social factors as well. The good thing about the political systems is the existence of competition between political parties anchored around ideologies, and elections based on manifestos and performance. Corporations lack that.

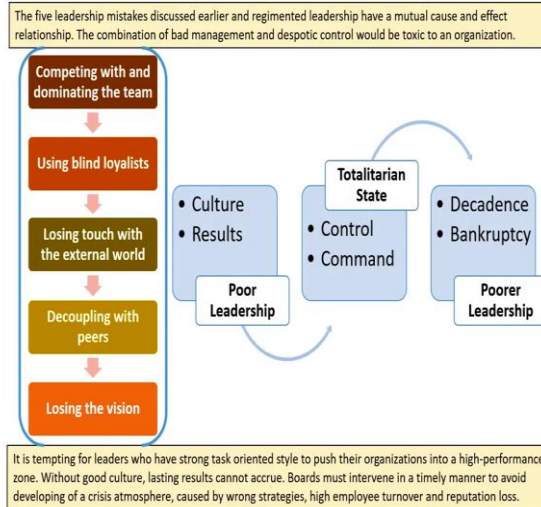
Totalitarianism does not necessarily mean poor economic performance. Some totalitarian countries or leaders in the global economy. Some corporations are run autocratically, but post good economic performance. The issue is not that, humans need freedom of thought, expression and action to feel fulfilled, and to develop the broader society for the long term.

Human spirit thrives in freedom and empowerment with guidance. It provides more sustainable value. On the other hand, with directed action which controls and commands, the human spirit with us. It limits value creation in organizations. The evaluation criteria for nation states are not purely economic. They involve emotional and social factors as well.

The good thing about the political system is that the political parties need to compete based on ideologies and elections need to be conducted based on manifestoes and performance. Corporations lack that important competitive spirit or competitive structure and system to govern alternate ways of managing or leading a company.

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### Leadership Mistakes



We have seen in an earlier lecture five leadership mistakes. The five leadership mistakes and regimented leadership have a mutual cause and effect relationship. The combination of bad management that is reflecting the five leadership mistakes and despotic control that is reflecting the totalitarian system would be toxic to an organization.

Let us recall the five mistakes; competing with and dominating the team, using blind loyalists, losing touch with the external world, decoupling with peers, losing the vision are the five leadership mistakes. When poor leadership exists, as a result the culture would be bad, the results would be bad.

Then there would be an attempt to take over the company completely in such a manner that the voice of descent or voice of discussion is stifled and the totalitarian state emerges in the company. It would be control and command kind of management; however, that leads to poorer leadership, because the company does not have free flow of thoughts and intellectual debate. The company would land itself into decadence and finally, into bankruptcy.

It is tempting for leaders who have strong track record of task oriented style to push their organizations into an extreme high performance zone. Without good culture lasting results cannot accrue even with such an approach of high performance. Boards must intervene in a timely manner to avoid developing of a crisis atmosphere in the

organization which could be caused by such long strategies and which could result in high employee turnover and finally, lead to reputation loss.

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### Totalitarian Toxicity

Corporate totalitarianism could turn toxic to organizations when management, governance, talent and strategy are weighed down by incompetence and indifference.



An organizational culture that promotes servility and conformity would cause the above factors to take root. A totalitarian leadership and a servile culture constitute a self-fulfilling debilitating combination.



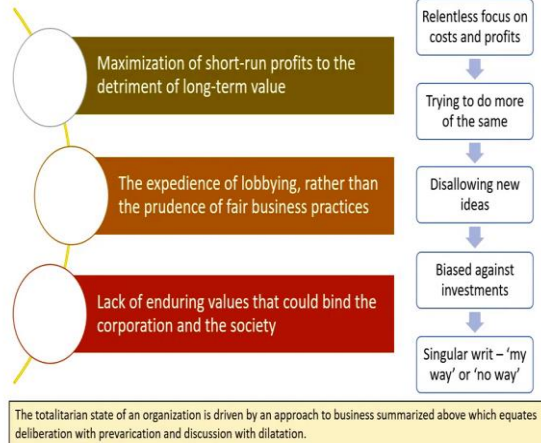
Let us look at the totalitarian toxicity as an extreme impact. When governance, management, talent, and strategy are weighed down by incompetence and indifference the totalitarian toxicity would be at its peak. Poor talent, poor strategy, bad management, and bad governance, will be very toxic to a company's existence itself.

When totalitarian leadership involves servile culture the organizational decadence is to be taken for granted. An organizational culture that promotes servility and conformity would cause the above factors to take root. A totalitarian leadership and a servile culture constitute a self-fulfilling debilitating combination.

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### Totalitarian Temptations

A corporation has several options with respect to revenue and profit goals. The way relentless profit-maximization is pursued by leadership, regardless of the cultural considerations, has its totalitarian ramifications.



What are the temptations for totalitarianism? A corporation has several options with respect to revenue and profit goals. The way relentless profit maximization is pursued by leadership regardless of the cultural concentrations has its totalitarian ramifications. Maximization of short term profits to the detriment of long term value that is point number one.

The expedience of lobbying rather than the prudence of fair business practices point number two. And finally, lack of enduring values that could bind the corporation and the society. These are the three temptations or three inducements for totalitarianism, but in terms of the strategy there could be other variations as well.

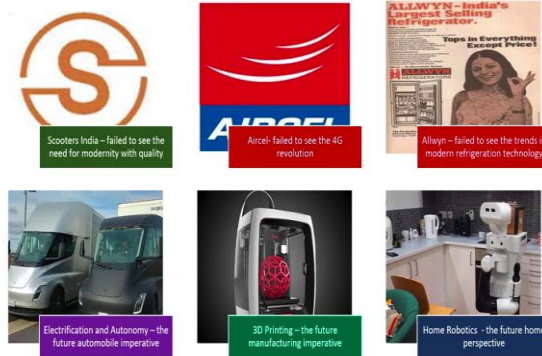
Relentless focus on costs profits, trying to do more of the same without any novelty, disallowing new ideas, being biased against new investments and taking the business to newer places, and a singular writ of leadership my way or no way. The totalitarian state of an organization is driven by an approach to business summarized above which equates deliberation with prevarication and discussion with dilatation.

A totalitarian leader will say that if an individual is thinking about it, he is not deliberating, but he is actually prevaricating. If an individual tries to discuss an issue, he will be blamed as being dilatational. So, these are the ways in which the totalitarian leader converts his temptations into realities of control.

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### Failing to Recognize

If organizations and leadership teams fail to recognize trends of inflection it makes them even more defensive. They get increasingly rooted in a past which has no connect with a dramatically different future. Such companies attempt to survive by totalitarianism, only to wither by that. A few previous and new inflection trends:



Not only individual industries but combinations of new industries (for example, 'space plus solar' or 'building plus sensor') are likely to emerge, requiring multiple meritocratic organizations from different industries to collaborate.



There have been organizations which fail to recognize the trends of inflection and made them even more defensive and finally, losing the ground. It happened, because the organizations were in some respects led by totalitarian leaders. Scooters India failed to see the need for modernity with quality, Aircel failed to see the 4G revolution.

We also had an earlier example of reliance communications failing to see the role out of GSM technology, Allwyn a leader in refrigeration once upon a time fail to see the trends in the modern refrigeration technology and similar failures to see the future could occur, because of regimented thinking in organizations. Electrification and autonomy, these are unstoppable developments.

It is the future automobile perspective that must be recognized by every one and all. 3D printing that is the additive manufacturer that is the future manufacturing imperative, home robotics would be the future home perspective.

Not only individual industries, but combinations of new industries. For example, space plus solar, building plus sensor are likely to emerge requiring multiple meritocratic organizations from different industries to collaborate and that requires openness of thought, openness of leadership and not closed regimented totalitarian leadership.

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### The Lost Opportunities

Corporations and leadership teams must keep an open mind on the totality of purpose of their existence and identify the right motive force for growth. This requires the leadership teams to challenge the very domains that provide today's revenues. Certain industries, for example, could have been in the forefront of change years ago.



Technology companies, rather than automobile companies, have taken the lead in autonomous automobile development



Global oil majors could have moved into renewable energy generation without waiting for clean energy movement



Start-ups, rather than Big Pharma, came into the forefront of developing biologic medicines and personal medicine



Makers of sin products should have pursued alternate businesses commensurate with their scale from the very beginning



FMCG companies could have developed parallel online selling from the time e-commerce came into play



Hospital chains should have moved into home healthcare and remote healthcare alongside large hospital based services from the inception

The ability to challenge its own foundations of growth and success does not come easily for a company. It requires participative meritocracy at its best.



We can see more examples of the lost opportunities, while this cannot be blamed on such companies being totalitarian, but it is indicative of the close leadership mind that has led to operations, missing the opportunities. Corporations and leadership teams must keep an open mind on the totality of purpose of their existence and identify the right motive force for growth.

The totality of purpose is mobility in respect of an automobile corporation not producing the vehicle of the type which is producing. Mobility is the purpose of the corporation and then too clean mobility. This totality of purpose requires the leadership teams to challenge the very domains that provide today's revenues. Certain industries for example, could have been in the forefront of change several years ago.

Technology companies rather than automobile companies have now taken the lead in autonomous automobile development that is evident for us to see. Startups rather than big pharma came into the forefront of developing biologic medicines and personal medicine. The first vaccine approved by the US FDA and the UK medicines agency for combating COVID 19 was developed by a biotech startup of course, the big pharma immediately collaborated with that enterprising biotech startup.

FMCG companies could have developed parallel online selling from the time e-commerce came into play. Global oil majors could have moved into renewable energy generation without waiting for clean energy movement as it is happening now. Makers of


sin products should have pursued alternative businesses commensurate with their scale from the very beginning. It did not have been a matter of the 1990's or 2000's. ITC could have started getting into non sin products much-much earlier.

Hospital chains should have moved into home health care and remote health care alongside large hospital based services from the very inception. The ability to challenge its own foundations of growth and success does not come easily for a company. It requires participative meritocracy at its best.

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**Damaged Businesses**

There are cases of companies that were run with regimenting leadership teams. Such companies became hotbeds of poor governance and poor quality. Serious value destruction took place as a result.



- Ranbaxy was reportedly led by a highly closed and regimenting leadership team, causing many quality issues
- High-stakes sectors tempted certain companies to deploy closed leadership systems that destroyed value
- Once a poster boy of beverages entrepreneurship, Manpasand failed due to obfuscation culture
- Pursuit of unbridled growth encouraged setting up of totalitarian systems in certain companies
- Highly centralized leadership made the wind energy pioneer lose its bearings
- Economist magazine creates crony capitalism index of various countries to identify leadership distortions

The ability to avoid distortions of governance and management comes only with participative meritocracy.



There have been several cases of companies that were run with regimented leadership teams and they were regimenting the rest of the organization. Such companies became hotbeds of poor governance and poor quality. Serious value destruction took place as a result.

Ranbaxy was once a leading pharmaceutical company of India with global presence. It was led by a highly closed and regimenting leadership team. It set for itself and for the organization very ambitious goals, but more damagingly pursued certain processes which were inimical to the quality and integrity aspects of business and that happened, because of the regimenting leadership style that existed.

Manpasand beverages was once a poster boy of beverages entrepreneurship; however, the company failed due to an obfuscation culture that was there and which also probably



robbed the government of its tax revenues. A wind energy major, a pioneer in the business was highly centralized in its leadership. It made the company lose its bearings.

Some high stakes sectors such as real estate and banking tempted certain companies to deploy closed leadership systems that destroyed value. Such companies had to go to IBC process or had to be taken over by other companies under the watchful eye of the regulator.

Pursuit of unbridled growth encourage setting up of totalitarian systems in certain companies globally. Economist magazine considers chronic capitalism as one of the side effects of a totalitarian leadership. It creates chronic capitalism index of various countries to identify leadership distortions.

The ability to avoid distortions of governance and management comes only with participative meritocracy. We will consider what participative meritocracy is in a few minutes.

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### Avoiding Totalitarianism

Progressive and intelligent corporations mitigate the temptations of totalitarian behaviour by enabling free intellectual thought in their organizations, which in turn helps them move into responsible leadership.



Adopting ESG Model would bring in a great sense of accountability to leaders and firms in respect of conduct.

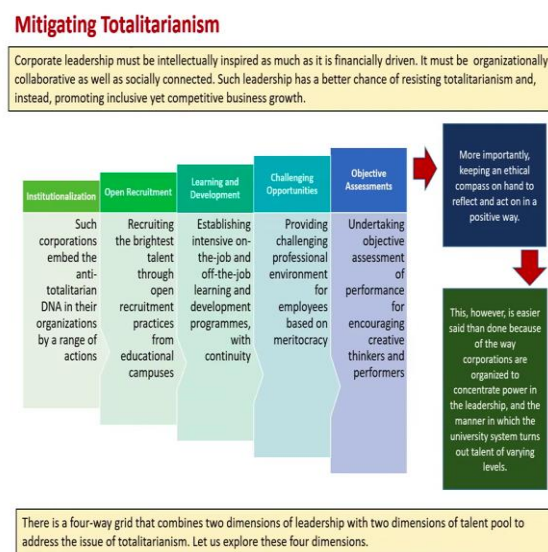


To be able to avoid totalitarianism we need to have progressive and intelligent corporations which will enable free intellectual thought in all their operations and thought process. This helps companies move into responsible leadership. The way to mitigate totalitarianism is by having an openness culture, by having better product and

market segments to address, institutionalizing corporate meritocracy, embracing science and technology, welcoming competition and collaboration.

And finally, driving sustainability in the business and also the larger society. These six ways of conducting business also need to be combined with the three aspects of environmental empathy, social responsibility, and corporate governance. Adopting ESG model would bring in a great sense of accountability to leaders and firms in respect of corporate conduct.

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Corporate leadership must be intellectually inspired as much as it is financially driven. It must be organizationally collaborative as well as socially connected. Such leadership alone has a better chance of resisting totalitarianism and instead promoting inclusive yet competitive business growth.

To be able to do that, you got to fill the organization with great talent. The more the high level talent is brought into the organization the less would be the opportunity for regimentation in an organization. Institutionalization of openness is therefore, the first step of building a non totalitarian or a totalitarianism proof organization. Such corporations embed the anti totalitarian in their organizations by a range of actions.

First open recruitment; recruiting the brightest talent through open recruitment practices from educational campuses, second learning and development culture establishing

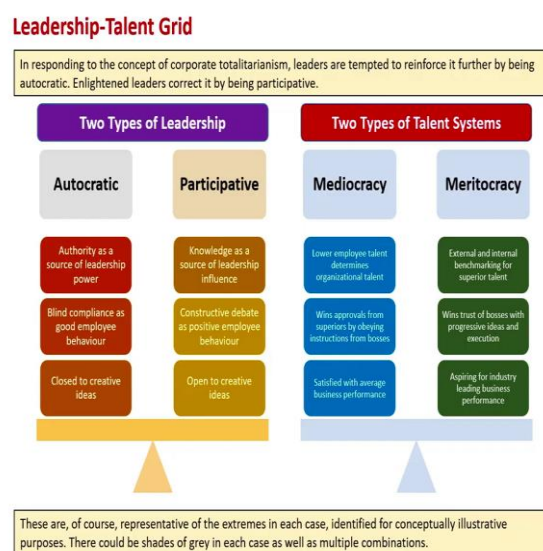
intensive on the job and of the job learning and development programs with continuity in learning. Challenging opportunities; providing challenging professional environment for employees based on meritocracy.

And finally, objective assessments; undertaking objective assessment of performance of individuals and the company for encouraging creative thinkers and performers. And all of these steps must be accompanied by having an ethical compass on hand to reflect and act on in a positive way.

This; however, is easier said than done. This is a combination of leadership intent as well as the talent availability, but we have constraints on both these dimensions the organization itself is designed and structured in a manner that power is concentrated in the leadership hands.

The university system has proliferated in such a manner that we cannot have uniform outcome of talent across all the institutions that provide education. So, there are some inherent constraints in the system which need to be debottlenecked. There is a four-way grid that combines the two dimensions of leadership with two dimensions of talent pool to address the issue of totalitarianism. Let us explore these four dimensions.

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Leaders can reinforce it or fight against it in terms of totalitarianism. Enlightened leaders corrected by being participative whereas, non enlightened leaders reinforce it by being

autocratic. So, we can identify two types of leadership either autocratic or participative. Autocratic leadership sees authority as the sole source of leadership power. It insists on blind compliance of the employees as reflective of good employee behaviour and it is closed as a system to creative ideas.

On the other hand, participative leadership views knowledge as a source of leadership influence. It stimulates constructive debate as positive employee behaviour and it is open to creative ideas as a system. There are two types of talent systems; one mediocrity and the other meritocracy. Mediocrity is characterized by poor talent base in the organization that is one which is not very high on intellectual quotient or intelligence quotient.

It wins approvals from the superiors only by obeying instructions of the bosses. The mediocratic system is satisfied with average business performance. The other talent system the meritocracy is always looking for external and internal benchmarking to get superior talent in to the organization.

Employees win the trust of bosses with progressive ideas and execution. The meritocratic system aspires for industry leading business performance. These are of course, representative of the extremes that are possible in each case and are identified for conceptually illustrative purposes. There could be shades of grey in each case and there could be multiple combinations.

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### Leadership-Talent Implications

The implications of the four leadership and talent typologies are discussed in terms of organizational process and culture parameters below.

#### Autocratic leadership

- Top-down administration of vision, strategy, and execution, together with controlled employee management

#### Participative leadership

- A consultative evolution of vision, strategy, and execution, together with facilitative employee management

#### People Meritocracy

- Presence of, and reward for, high levels of capabilities and skills across the organization

#### People Mediocrity

- Middling, average or below-average skill levels across the organization, which are rewarded uniformly regardless of performance

The ensuing figure represents the leadership-talent grid as a framework to understand the contributors to, and fighters of, corporate totalitarianism.



Let us look at the leadership talent implications. The implications can be discussed in terms of organizational process and cultural parameters as below. Autocratic leadership is top down administration of vision, strategy and execution together with controlled employee management.

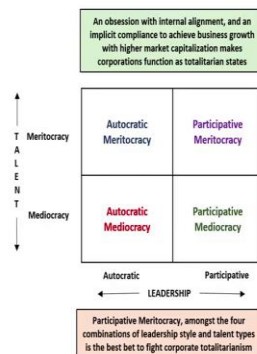
On the other hand, participative leadership is a consultative evolution of vision, strategy and execution which facilitates employee management in a positive manner. People meritocracy is the presence of and reward for high levels of capabilities and skills across the organization.

People mediocrity middling, average or below average skill levels across the organization, and these are rewarded uniformly regardless of performance. The ensuing figure represents the leadership talent grid as a framework to understand the contributors to, and fighters of corporate totalitarianism.

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### Leadership-Talent Grid to Fight Corporate Totalitarianism

The hypothesis is that certain combinations of leadership approach and talent base help to avoid corporate totalitarianism.



Leadership-Talent Grid has four possibilities: Autocratic Mediocrity, Autocratic Meritocracy, Participative Mediocrity and Participative Meritocracy.



The hypothesis is that certain combinations of leadership approach and talent base would help to avoid corporate totalitarianism. Let us look at two parts, two leaderships autocratic and participative. Similarly, let us look at the two parts of talent mediocrity and meritocracy. The combinations would be autocratic mediocrity, autocratic meritocracy, participative mediocrity and participative meritocracy.

An obsession with internal alignment and an implicit compliance to achieve business growth with high market capitalization makes corporations function as totalitarian states. Amongst the four combinations we have seen participative meritocracy is the best fit and best bet to fight corporate totalitarianism.

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**The Four Leadership-Talent Typologies**

The four combinations of leadership and talent profiles may be viewed simplistically in terms of four distinct combinations of the two leadership styles and the two talent bases.

<b>Autocratic Mediocrity</b>	• A completely totalitarian corporation where the leadership's writ is total and unquestioned, not because of its strength but because of the inability of the organization to engage in constructive intellectual debate.
<b>Autocratic Meritocracy</b>	• An organization whose ability to chalk out and execute creative strategies is often stymied by the insistence of the leadership to conduct the affairs in its own way, thus eliminating grassroots ownership and participation.
<b>Participative Mediocrity</b>	• An organization that has an enlightened leadership but that relies on a pliant talent base to develop consensual approaches that fail to be competitive in the marketplace.
<b>Participative Meritocracy</b>	• Organizationally, the only optimal combination that brings out the synergy of progressive leadership and competent talent pool.

While autocracy and meritocracy may be seen as counter to each other, the combination is still possible in certain cases. Similarly while participative leadership is seen to encourage meritocracy, Participative Mediocrity may also be possible. Autocratic Mediocrity and Participative Meritocracy are the more common extremes.



Let us understand these four leadership talent typologies little more. Autocratic mediocrity is one where the system is one of completely totalitarian methodology. The leadership's writ is total and unquestioned and it is so, not because of the strength of the leadership writ. But it is because of the inability of the organization to engage in constructive intellectual debate. It is a self-fulfilling situation where the leader is autocratic and the talent is unable to say anything, because it is mediocrity.

Then we have autocratic meritocracy; it is an organization whose ability to chalk out and execute a creative strategy is often limited by the insistence of leadership to conduct its affairs in its own way thus, eliminating grassroots ownership and participation.

In autocratic meritocracy you have good people, but the leadership itself is autocratic and does not allow the good people to say their piece. It does not take into account the better ideas that could come from the better people within the organization. Then we have participative mediocrity that is an organization that has an enlightened leadership, but relies on a very compliant or pliant talent base and it seeks to develop consensual approaches and they fail to be competitive in the market place.



Participative meritocracy that is the best combination from an organizational point of view, such an organization brings out the synergy of progressive leadership and competent talent pool. Generally, autocracy and meritocracy can be seen as being counter to each other; however, this combination is possible.

It is possible when an autocratic leader inherits a meritocratic organization that combination is then possible. How that leader would function in such an organization or how the meritocratic organization responds to the autocratic leader determines the future course of that organization.

Similarly, while participative leadership is seen to encourage meritocracy. Participative mediocrity may also be possible. We have a participative organization, but organization which is meritocratic could degenerate into a mediocratic organization. Autocratic meritocracy and participative meritocracy are the more common extremes.

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#### Autocratic Mediocrity

Autocratic mediocrity represents the worst combination of leadership approach and talent base. The two factors lead to each other but together will be toxic to an organization.

**Autocratic Mediocrity** Leader's autocratic tendencies tend to pass on to other leaders and managers without talent to back them up

General mediocrity in the organization makes even mediocre managers and leaders autocratic

Apart from the leaders, the poor quality of human resource function makes autocratic mediocrity more embedded

Companies which face obsolescence, decline and even exit are characterized by autocratic mediocrity. Though with time leadership is expected to replace mediocrity by meritocracy, Autocratic Mediocrity hardly provides a revival chance. Companies should take proactive steps to stop slipping into such a state.



Let us look at some of these features in greater detail. As I said, autocratic mediocrity represents the worst combination of leadership approach and talent base. The two factors lead to each other, but together will be toxic to the organization. In autocratic mediocrity the leaders autocratic tendencies tend to pass on to other leaders and managers without talent to back them.



So, you have multiplicative effect of autocratic leadership and autocratic mediocrity permeates the entire leadership bench and therefore, goes down to the organizational, middle level and bottom level.

General mediocrity in the organization makes even mediocre managers and leaders autocratic, because people if they are capable would not be autocratic, but if people are mediocre and they see general mediocrity in the organization coupled with autocracy they all become autocratic.

Apart from the leaders, the poor quality of human resource function makes autocratic mediocrity more embedded that is HR department of a company which is run in an autocratic mediocratic way is unlikely to be able to stand up and provide the right kind of guidance for either the leadership or for the broader organization.

Companies which face obsolescence, decline and even exit are characterized by autocratic mediocrity. Though with time leadership is expected to replace mediocrity by meritocracy, Autocratic mediocrity as a system hardly provides a revival chance. Companies should take proactive steps to stop slipping into such a state.

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### Autocratic Meritocracy

It is not that autocratically run organizations do not have meritocracy. The level of merit is compromised in terms of both numbers and quality of expression due to autocratic management. Meritorious individuals get demotivated over time. As a result, corporate performance would be lower than what it should be.



**Autocratic Meritocracy** Provides good results in the short run because the available good talent is driven to achieve results

The talent base gets split into two; the part that dislikes being driven leaves the organization while the part that remains becomes either passive or becomes dictatorial itself

Left unchecked, autocratic meritocracy can degenerate itself into autocratic mediocrity

Leaders who establish or inherit autocratic meritocracy have the opportunity to leverage the talent they are blessed with, and transform the organization into participative meritocracy for better business results. Failure to do so will lead to decline of the company.



Now, let us look at autocratic meritocracy in greater detail. It is not that autocratically run organizations do not have meritocracy. The level of merit is compromised in terms of both the numbers and the quality of expression, because of the management style being

autocratic. Meritorious individuals get demotivated over time in such organizations. As a result, corporate performance would be lower than what it should be.

Autocratic meritocracy provides good results in the short run, because the available meritocratic talent is driven to achieve results, but the talent base itself gets split into two under such conditions. The part that dislikes being driven leaves the organization, while the part that remains becomes either passive or becomes dictatorial itself. Left unchecked, autocratic meritocracy can degenerate itself into autocratic mediocrity that is the ultimate form of exit.

Leaders who establish or inherit autocratic meritocracy have the opportunity to leverage the talent they are blessed with, and transform the organization into participative meritocracy for business results getting better. Failure to do so will lead to decline of the company.

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### Participative Mediocrity

It is also facile to assume that organizations run in a participative manner will have all meritorious talent. Organizations which are run in *laissez faire* manner could actually suffer from talent that is misapplied, dysfunctional or sub-optimized.

**Participative Mediocrity** It is an organization mode that reflects slow decay, more commonly from autocratic mediocrity or meritocracy when leaders try to turn from being autocratic to being participative

Participative leaders need to engage with their employees meaningfully based on clear strategy and goals, failing which there could be disorder and dysfunction

Over time, participative mediocrity could be as damaging to corporations as autocratic types of organizations

Understanding the participative style is not easy for leaders; it requires a fine balance between authority and responsibility on one hand, and between empowerment and accountability on the other. Not being able to understand the accountability facet of participation could lead to dysfunctional results.



Let us look at the third one, the participative mediocrity. It is also facile to assume that organizations run in a participative manner will have all meritorious talent. Organizations which are run in a *laissez fair* manner could actually suffer from talent that is misapplied, dis functional, or sub optimized.

Participative mediocracy is an organization mode that reflects slow decay more commonly from autocratic mediocracy or meritocracy when leaders try to turn from being autocratic to being participative.

Participative leaders need to engage with their employees meaningfully based on clear strategy and goals failing which there could be disorder and dysfunction. Over time participative mediocracy could be as damaging to corporations as autocratic type of organizations.

Understanding the participative style is not easy for leaders. We have considered earlier feel good is not participative style of management. It requires a fine balance between authority and responsibility on one hand and between empowerment and accountability on the other. Not being able to understand the accountability facet of participation could lead to dysfunctional results.

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### Participative Meritocracy

In organizations with participative meritocracy, the best features of an inclusive and engaged leadership are combined with the beneficial impact of intellectual and skilled employee base. The effect would be synergistic.

**Participative Meritocracy** It is an organization mode that has structures and processes that promote continuous engagement between leaders, managers and employees.

Participative leaders who facilitate meritocracy understand the value of both alignment and empowerment to achieve effective vision, strategy and execution, and create working processes to accomplish them.

Over time, participative meritocracy is self-fulfilling as corporate performance and organizational culture act as magnets to attract the best talent.

Participative leaders are task oriented too but in a knowledge-driven and influencing manner. They derive satisfaction from driving results in a non-coercive people-influencing manner.



And the final virtuous methodology that is the participative meritocracy. In organizations with participative meritocracy the best features of an inclusive and engaged leadership are combined with the beneficial impact of intellectual and skilled employee base. The effect would be synergistic.

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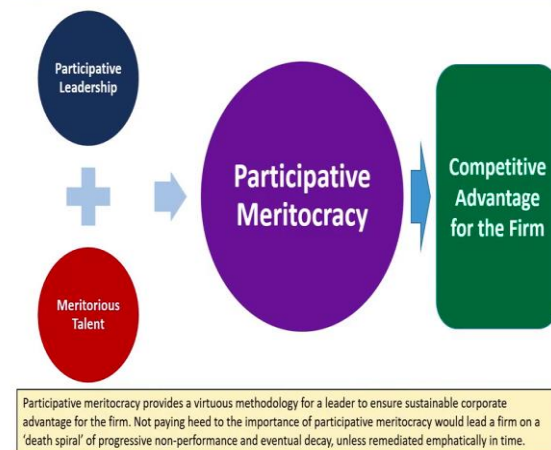
Participative leaders who facilitate meritocracy understand the value of both alignment and empowerment to achieve effective vision, strategy and execution and to create working process to accomplish them.

Over time participative meritocracy is self fulfilling as corporate performance and organizational culture act as magnets to attract the best talent. Participative leaders are task oriented as well, but in a knowledge driven and influencing manner they drive satisfaction from driving results in a non coercive and people influencing manner. So, these are the four types of leader talent quadrants that are explained in considerable detail over the last few minutes.

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### Positive Combinatorial Impact

Participative leadership provides empowerment for the team members to ideate and innovate while meritorious individuals and teams rise up to the need with their competencies and capabilities. It is a synergistic combination.



There is a positive combinatorial effect of all of these viewpoints. If you have participative leadership which empowers the team members to ideate and innovate and if you also have meritorious talent which enables the individuals to rise up to the challenges. And opportunities you would have true participative meritocracy and when you have true participative meritocracy, you will provide competitive advantage for the firm as a leader.

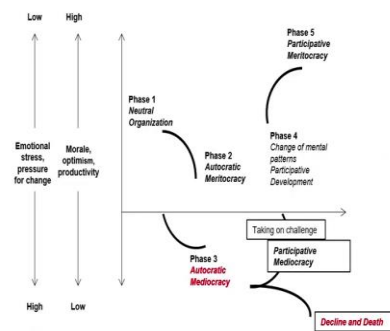
Participative meritocracy provides a virtuous methodology for a leader to ensure sustainable corporate advantage for the firm.

Not paying heed to the importance of participative meritocracy would lead a firm on a death spiral of progressive non performance and eventual decay unless remediated empathetically in time. I will demonstrate what this death spiral is with a graphic.

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### The 'Death Valley' Spiral and Revival

Neutral organizations which have no special attributes may face a decline and death spiral if autocratic and mediocratic conditions are allowed to perpetuate. The Graphic below illustrates what could be a death spiral.



As demonstrated above, it would be possible to revive a company stuck with autocratic mediocracy to participative meritocracy through a couple of developmental phases, through participative mediocracy which is followed up with development of mental patterns towards merit-based organizational renewal and rejuvenation.



Let us assume that the organizations are neutral that is they are neither very high on autocratic behaviour or very high on the participative behavior. They are somewhere in the middle level. Similarly, the talent is not absolutely great nor is it absolutely poor. Now, let us look at a dimension wherein, you look at morale, optimism and productivity as one cluster and also in the same way supplementing that would be the emotional stress and pressure for change.

In an organizational system which is poor and negative as we discussed in certain cases in the earlier minutes, you will find that low morale, optimism and productivity combined with high emotional stress and pressure for change. Per contra where the emotional stress is low and pressure for change is low, there could be high morale optimism and productivity.

And what begets what is; obviously, a question, but generally we can assume that if you have high levels of stress and pressure for change imposed on an organization of individuals, the morale, optimism and productivity could come down. If on the other hand, you have a system by which you create greater morale greater optimism and

productivity you would be leading to lower level of emotional stress and lower level of pressure for change. So, that is the Y axis for you.

The phase one neutral organization could slip into an autocratic meritocracy and if that is not recognized at that point of time and moved back to participative meritocracy it could slip further down into autocratic mediocracy, because leaders have ignored the importance of building merit in the organization and they have become autocratic as well. At that point of time there are two options for the organization.

It does not recognize the imprudence of being autocratic as well as mediocratic. It continues in its own queer ways of managing itself then it would only phase decline and death as an organization. On the other hand, it understands that I need to do something to enhance the organizational capability.

And takes on the challenge then it moves into a phase of participative mediocracy. You cannot alter the entire organizational talent based in one go. So, mediocracy would continue for some time, but at least the leadership has begun understanding the organization better and turning into a participative mode.

Then this process would be continued with change of mental patterns and with more participative development that is the phase four and finally, with a participative leadership that understands both empowerment and accountability and also changing the talent profile of the organization, the organization would move into a participative meritocracy state.

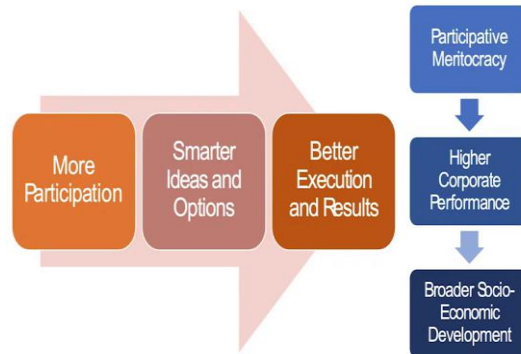
So, neutral organizations have got the opportunity to move into participative meritocracies in straighter way instead getting stagnated or getting slipped into autocratic mediocracy and exit stages.

It would also therefore, be possible to revive a company stuck with autocratic mediocracy to participative meritocracy through a couple of developmental phases and that is illustrated in this graphic. So, development of mental patterns first for the leadership and then for the broader organization is essential. For merit based organizational renewal and rejuvenation.

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### Participative Meritocracy- the Broader Benefit

Leadership teams and organizations need to realize the importance of participative meritocracy as a means to eliminate totalitarian trends from the corporation and promote healthy internal debate in the corporation.



Participative Meritocracy has a broader purpose than improving corporate profit. By virtue of its emphasis on ideation and discussion, Participative Meritocracy is likely to generate scenarios and roadmaps for enhanced socio-economic development.



The broader benefit of participative meritocracy is as follows; it will provide more participation, generate smarter ideas and options and finally, results in better execution and that better execution itself provides greater revenue, profit, market cap, environmental sustainability and so on.

Leadership teams and organizations need to realize the importance of participative meritocracy as a means to eliminate totalitarian trends from the corporation and promote healthy internal debating in the corporation. Participative meritocracy leads to higher corporate performance and leads to broader socio economic development.

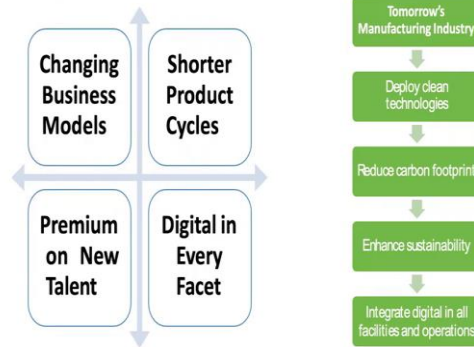
Participative meritocracy has a broader purpose therefore, that is beyond usual financial metrics. By virtue of its emphasis on ideation and discussion, participative meritocracy is likely to generate scenarios and road maps for enhanced socioeconomic development through the instrument of the firm.



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### Totally of Purpose

Willy-nilly, corporations and leadership teams become prisoners of their own history and legacy. In today's world of VUCA (Volatility, Uncertainty, Complexity and Ambiguity), organizations need to be not merely proactive but futuristic. This requires high level of organizational competencies and leadership.



Whether it is retailing or manufacturing and in conventional areas or new domains, the need to develop new methodologies, mostly digital-aided, is paramount. Things are not going to stop with only digitization - just as a decade ago things did not stop with computerization and went on to the current stage of digitization.



We have to in this context consider the totality of purpose of an organization. We as leaders could become prisoners of our own history and legacy. In today's world of VUCA Volatility, Uncertainty, Complexity and Ambiguity, we need to be not merely proactive, but futuristic as well. This requires high level of organizational competencies and leadership.

What is the constituent cluster of VUCA? Changing business models, shorter business cycles or shorter product cycles, premium on new talent and digital in a very facet. Let us take an example tomorrow's manufacturing industry will not be dominated only by human operated machines.

They would also not be polluting. There would be deploying fundamentally clean technologies. Idea would be to reduce the carbon footprint. There would be enhanced sustainability. It would not be just a factory; it would be a digital factory with digitization in all facets of a company.

Whether it is retailing or manufacturing and in conventional areas or new domains, the need to develop new methodologies mostly digital aided is paramount. However, lets recognize that things are not going to stop with only digitization as currently understood.

Several years ago, computerization started coming in, but it did not stop with computerization, digitization has come in. Similarly, we cannot stop at the current stage

of digitization. It may be hard to forecast what kind of further developments in digitization would happen, but we can assure ourselves that things are not going to be the same in terms of even the digital format in future.

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**Contextual Innovations**

The digital initiatives of Amazon and Reliance Jio represent hybridization of thought in a contextually relevant manner. The structural realities of different markets require innovative rather than constrained thinking.



**Amazon Go**

Amazon, the online trading pioneer, for example, has set up brick-and-mortar stores which are completely automated and digitally processed—customers can stream in, buy their goods physically, and just exit with their goods even as the transactions are digitally monitored, processed, accounted for, and paid for in the background.

**Reliance Retail**

Reliance Retail would like to network the several thousands of Kirana stores in India through its extensive telecommunications and digital network, which is an alternative strategy of modernizing the current mom and pop stores, without dismantling them with centralized universal marketplace like the current e-commerce sites.

New hybrid models will need to be the order of the VUCA times. This places greater premium on disruptive thinking and empowered execution. This again, requires inclusive leadership that encourages intellectual thinking. Totalitarianism is completely out of place and inimical to such a future evolution of corporations.



Contextual innovations are to be seen from the nature of the market, nature of the nation, nature of the society, and nature the firm. We cannot say that digital transformation would be the same across the entire world. We need not also say that there is only one way of using digital technology for furtherance of corporate and social interests.

Let us look at two alternative models, both of them hybrid in their own way. The digital initiatives of Amazon and Reliance Jio represent hybridization of thought in a contextually relevant manner. The structural realities of different markets require innovative rather than constrained thinking.

Amazon Go, Amazon is the online trading pioneer and it has set up brick and mortar stores which are completely automated and digitally processed. Customers can stream in, buy their goods physically after the familiar look see of products and just execute their goods even as the transactions are digitally monitored, processed, accounted for and paid for in the background. In addition, the artificial intelligence primed systems observe the consumer behaviour and provide additional suggestions as well.

Let us look at Reliance retail and with Reliance Jio together. What are they trying to do? Reliance Jio and Reliance retail would like to connect the network with several thousands of Kirana stores in India. Kirana stores being mom and pop neighborhood stores, through its extensive telecommunications and digital network.

This is an alternative strategy of modernizing the current mom and pop stores in India without dismantling them with centralized universal marketplace like the current ecommerce sites.

Digitization thus is presenting two completely different models of modernizing and taking the retail format to the futuristic levels and new hybrid models such as these will need to be the order of the VUCA times. This places greater premium on disruptive thinking and empowered execution. This again requires inclusive leadership that encourages intellectual thinking. Totalitarianism is completely out of place and is inimical to such a future evolution of corporations.

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### Totality of Purpose

Establishing and nurturing the right organizational culture is necessary to ensure that any trends of regimentation and totalitarianism at any level are countered immediately.



This lecture, and the preceding ones, have proposed innumerable ways in which leaders and firms, in several contexts, can build virtuous leadership teams and firms. Participative Meritocracy is one important leadership philosophy that would make a great deal of difference for the companies, the society and the nation.



The totality of purpose therefore, must be born in mind by leadership and by those who control the leaders. Totality of purpose must therefore, be kept in view by leaders. Establishing and nurturing the right organizational culture is necessary to ensure that any trends of regimentation and totalitarianism at any level are countered immediately.

The best of course, is to create an organizational culture a leadership style that would be completely avoiding. Any sprouting of regimentation and totalitarianism even as early buds. First step for that is creation of the intellectual organization; intellectual capability that is open and practical as well as expressive and executional helps nurturing of intellectual meritocracy.

Second participative leadership; corporations and leaders must ensure participative, inclusive, facilitative, and empowering leadership styles as the signature leadership. Then you have socio economic purpose; a broader socio economic purpose integrates economic performance and social responsibility and provides a totality of purpose.

When you have intellectual organization as the DNA of the company, if you have participative leadership as the driver of the company and socio economic purpose is the super arching aspiration of the company, you will be having exemplar leadership by the company and its leadership.

This lecture and the preceding ones have proposed innumerable ways in which leaders and firms in several contexts can build virtuous leadership teams and firms. Participative meritocracy is one important leadership philosophy that would make a great deal of difference for the companies, the society, and the nation.

Thank you, we will meet in the next lecture.