

Pakistan's corporate sector and 'seth' culture

There is a need to instill democratic norms within our enterprises

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It is a commonly held perception that the reason for sludge, or excessive bureaucratic hurdles, within government institutions is due to the absence of incentives for efficiency. The private sector is considered to be the inverse of this — compelled to ensure that the most competent seamlessly rise to the top and take charge of key decision-making roles in order for their respective companies to stay afloat in a competitive environment. In Pakistan, however, that does not seem to be the case.

A recent study by the Pakistan Institute of Development Economics titled 'A Small Club' has highlighted a dearth of transparency measures, accountability mechanisms, and meritocratic practices in the corporate sector.

In the study, a total of 573 individuals occupying directorial roles in companies listed on the KSE-100 were profiled and distributed into 10 categories: corporate, government, bureaucrat, army, industrialist (founders of businesses in the manufacturing sector), business (founders of businesses in the primary and/or tertiary sectors), family (serving on board exclusively based on familial ties), PSX (affiliated in some capacity with the Pakistan Stock Exchange), services (consultants and advisers to NGOs), and NIT/SECP (working or have worked for the National Investment Trust Limited and the Securities and Exchange Commission of Pakistan).

Intuitively, the hypothesis was that those with demonstrated experience in private sector enterprises would constitute the vast majority of the sample. However, it was discovered that approximately 1 out of every 4 individuals profiled belonged to the 'family' category. Moreover, 227 individuals originated in some state institution, amounting to about 2 in every 5 — a frightening proportion. It seems as though companies at the highest level do not have adequate procedures in place to ensure that appointments for key board positions are carried out in a fair, independent manner.

What's more, a subsequent network analysis — which sought to identify linkages

between the individuals based on flow of information and resources — suggested that their internal dynamics mimicked those of exclusive clubs. There were no influential women, the vast majority belonged to Karachi and Lahore, and those occupying directorship positions in one corporation were shown to have held the same in others in the past. Ten out of the 19 ‘hubs’ (those occupying central positions within the network chart) had occupied identical roles in parallel companies at least 10 times prior to their current one — with 4 of them having held as many as 17.

The KSE-100 case study indicates an excess of network clustering: with members of 31 primary families occupying key positions in the ecosystem and collaboratively dictating market conditions.

All this speaks of the prevalent conceptualisation of leadership in Pakistan, which is still colored by colonial remnants of the ‘seth’ culture. In a 2021 study titled ‘Lordly Management and its Discontents’, the organisational culture of commercial banks in Pakistan was assessed and salient characteristics of this brand of authority were identified: paternalism, resistance to change, seniority valued over competence, nepotism, arbitrary decision-making, excessive bureaucracy and a dismissiveness towards women and minorities.

The International Trade Union Confederation’s Global Rights Index of 2020, which ranks countries based on their access to labor rights, granted Pakistan a score of 5, i.e. ‘no guarantee of rights’. This was due to the inability of the state to implement labour laws, made all the worse by cumbersome conditions trade unions need to meet before being allowed to operate. This indicates a lack of platforms for employees to challenge entrenched power structures within the organisations they work for — leaving much to be desired in terms of internal accountability.

There is a need to instill democratic norms within our enterprises. Since government officials and dominant players in the private sector both seem to benefit from the current status quo, this will necessarily have to involve salaried classes themselves operating as counterweights to the authority held by their corporate boards. Notions of ‘reform’ are always defined by starting at home, and there is some merit to that, but what must necessarily accompany it is to commence at the top.

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