

INDIAN WISDOM FOR EFFECTIVE CORPORATE GOVERNANCE

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ABSTRACT

Corporate Governance has become a buzzword in the recent times and good corporate governance a slogan, a pride, a mandatory requirement in today's corporate world. Economic meltdown, financial crises and failure of some of the giant corporate groups world over in the last three decades further strengthens the demand for effective corporate governance. The collapse of high profile companies has brought the subject of corporate governance to global business limelight from relative obscurity. Indeed, corporate governance and economic development are intrinsically linked. In the wake of the current economic turmoil corporate principles enshrined in our scriptures such as the Gita, the Upanishad and the Ramayana, become more relevant. Swami Vivekanand had said that knowledge without action has no value and action without knowledge is futile. To integrate thought and action there has to be responsibility, accountability and a vision. It is high time we adopted the philosophy of Gita in governance, in the corporate world promoting ethical competencies to build internal strengths for creating a better India and a better world.

Keywords: Corporate, Governance, Veda, Gita, Religious Scriptures.

Introduction

"Corporate governance is the application of best management practices, compliance of law in the true letter and spirit, and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders".

—The Institute of Company Secretaries of India

The OECD, KPMG and the World Bank conceptualize corporate governance as an entire system with well defined codes, rules and structures in order to direct and control business and non business organizations. Similarly, corporate governance has been defined by SEBI, in a report on corporate governance, as the acceptance by management of the rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a company.

Corporate governance, thus, can be defined as a systematic process or guidelines by which companies are directed and controlled to enhance their capital generating capacity and are many used in the manner that meets stakeholders' aspirations and societal expectations. Corporate governance imbibes two core principles— the management should be empowered the executive freedom to drive the company forward without undue restraints, at the same time, he has to exercise this freedom within a framework of effective accountability. The practice of the core principles of corporate governance such as transparency, empowerment, accountability, control and ethical corporate citizenship leads to the creation of the responsible corporate culture fulfilling the purpose of good corporate governance.

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The US great depression of the 1930s, the governance failures of the 1970s and 1980s were widely perceived to have been a result of corporate mismanagement and it set the minds of the regulators to take some drastic measures on improving the governance of a corporation. The public outcry, after the 1933 Supreme Court ruling which condemned corporations as "Frankenstein monsters, capable of doing evil" led to the establishment of the Securities and Exchange Commission in 1934. In India, the effective initiative for corporate governance came from the listed companies and industrial association, Confederation of Indian Industry CII in 1997. From April 2003, the Securities and Exchange Board of India SEBI made it mandatory for all listed companies to follow the SEBI Corporate Governance code. Good corporate governance increases public confidence in a corporation. According to a survey conducted by McKinsey in 2002, over 60% of investors cite good governance practices in a corporation as a key factor in their investment decisions. It enhances the performance of corporations, ensures operational efficiency resulting in long-term productivity growth and sustainability. It also involves harmonious relationship among the board of directors, management, shareholders and stakeholders of an organisation.

The Sarbanes Oxley legislation in the USA, the Cadbury committee recommendations for European companies and the OECD principles of corporate governance are perhaps the best known among corporate policies. Several committees and groups in India have looked into this issue also that undauntedly deserves all the attention it can get.

Ethics are core of any business behaviour. Though, the concept of corporate governance may sound a recent one in the business context and maybe associated with the era of liberalization, it cannot be denied that the ancient Indian texts are replete with good business governance.

Ancient Hindu scriptures can help us to cope with the modern day corporate challenges in this hour of crisis. The sacred texts of Hinduism— the Vedas, the Upanishads, the Ramayana, the Gita can provide us guidance in a scripting an ideal corporate governance philosophy. The various Indian wisdom thought currents can be successfully applied to management, leadership and holistic development of our corporate world. We should harp back on the values such as courage, initiative, willingness, discipline, simplicity and austerity enshrined in our scriptures and apply them to business making them achieve corporate social responsibility in true sense.

"Yoga is excellence in action", says Lord Krishna in Bhagavad Gita. One can derive a higher state of being in an organisation by achieving excellence in action and be consisting in doing so. In order to achieve quality in all the functions of a company, one should harness the business strategies of swadharma or self-ethics enshrined in our Hindu myths. It is the duty of all organisations to focus more on corporate social responsibility and protect employees' interests in the present scenario replete with scams and crises all over the world.

One of the greatest contributions of India to the world is Holy Gita with all its management tactics to achieve the mental equilibrium and to overcome any crisis situation. The Bhagavad Gita repeatedly proclaims that "you must try to manage yourself". The reason is that unless a manager reaches a level of excellence and effectiveness, he or she will be merely a face in the crowd. From the Bhagavad Gita, the essence of management can be summarized as self-control focusing on discipline in perseverance, detachment from fruits of labour and devotion to duty.

While Western managerial techniques often deal with the problems at material external or a peripheral level the Bhagavad Gita takes the issues from the grass root levels and human thinking. Once the basic thinging of a man is improved, it will automatically enhance the quality of action and their results. The Western ideas of management centres around making the worker more efficient and more productive reducing him to a level of mercantile product. The absence of human touch leads to disillusion and mistrust among managers and workers. This led to the introduction of the term CSR, a concept not new to Indian civilization but that did revolutionize the corporate world. Assimilation of the ideas of the Gita leads us to the wider spectrum of general welfare (if the service is blended with devotion, then the work itself becomes worship, a service for its own sake."

The first lesson of management science is to choose wisely and utilize scarce resources optimally. During the curtain raiser before the Mahabharata war, Duryodhana chose Shri Krishna's large army for his help while Arjuna selected Shri Krishna's wisdom for his support. This episode gives us a clue as to the nature of the effective manager, the former chose numbers the latter wisdom. Gita also tell us to develop a sense of larger vision in our work for the common good. Being dedicated to the work has to mean working for the sake of work, generating excellence for its own sake.

In the mythical Ramayana, the battle leading to the climax was being played out. Vibhishan, Ravan's brother who had defected to Ram's side was concerned about defeating the huge army with limited resources. The reply that Ram gave stands out as a great lesson in leadership. He clarified that one has to have a clear vision and a cause worth fighting for. In the case of Rama, the cause was to rescue his beloved Sita and the vision was to defeat the evil forces.

In today's highly competition ridden world, one must have the strength to discriminate between the right and wrong, the zeal and perseverance to keep working towards the desired goal. The best way to produce results is the ability to motivate self and inspire the team to achieve the goals. For example, teamwork is an important principle in management and Rama applied the same in search of Sita and was successful in his mission. Management principles such as encouraging subordinate in staff, rewards for good work, self motivation, decision making, market survey and market exploitation and time management are enshrined in this great epic of immortality.

The Vedic wisdom can be deployed fruitfully to the contemporary business organisations as well. The Vedic self management principles give the ample guidance regarding the management challenges of the 21st century. The Vedas specify that organisations are social entities with myriad corporate social responsibilities. The company can be viewed as producing both private and social goods and the maximization of shareholders' wealth remains a viable corporate objective.

The Vedas encourage the business entities not only to protect the interests of the human beings but also to safeguard and promote the well beings of animals. They advocate continuous improvement. (One should improve upon the projects with new performance). They also advocate to inspire an organisation to remove fear of job insecurity in the minds of those dependent on it. The Vedas urge the business organisations to be the harbingers of the value system through transparent ethical practices in the best interest of the society at large. The individual value system of the various employees together shape up and determine the value system of an organisation to which they identify themselves with. (One shall be righteous and straight forward). Vedas also encourage free and fair trade with other countries of the world. (All the regions shall be propitious).

The Vedas stipulate that wealth has to be earned only through fair means (wealth has to be won by deeds of glory). The Vedas stress importance on productivity and assert that performance with knowledge and faith shall increase the productivity and effectiveness of any action performed (unexhausted grain of numerous streams). They encourage one to face the new environment in a pleasant manner and manage it properly (one shall bring happy fortune to the new environment). Further, one should aim to contribute to the well being of humanity.

Countries like Germany and France are openly adopting the wisdom of Vedas and Upanishads in their business world. Similarly the book Arthashastra has many useful lessons for leadership and management that can be applied to corporated kingdoms and it's pro-people orientation has interesting lessons for management of organizations. Indian management wisdom has also been influenced by sabalturn forces as manifested in several social movements. Empowerment of the weakest is equally important in contrast to the survival fittest. This implies that corporations have a duty towards the society and the corporate model should incorporate this idea in its operating philosophy.

Application of Indian management wisdom has found institutional support in the form of several initiative for example Management Centre for Human Values at IIM, Kolkata, and Yoga and Management Division at Swami Vivekananda Yoga Anusandhan Sansthan University at Bangalore. The Indian Institutes of Management (IIMs) and highly rated B- schools like Xavier Labour Relationsp Institute (XLRI) and Loyola Institute of Business Administration (LIBA) have courses in their curriculum and give example and intensive instruction in business ethics and social responsibility. Today, managers and would be entrepreneurs are groomed to be ethically and socially responsible even while being educated. The modern business savvy professionals need to imbibe the spirit of these epics for application in the field of daily management process and in the wider arena of creating better individuals in turn better world.

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