

# Value Based Organizations, theory and practices

## I) Guiding principles from Indian scriptures

**Mantras , for corporate governance based on ethics, for best long term good performance, and testing them with reference to modern management e.g.**

### 1. Mantra from Kathopnishad

#### **Translation of the Mantra:**

*“One is good, while the other is pleasant. These two having different objectives chain ( bind ) a man.*

*Blessed is who , between these two, chooses the good alone, but he who chooses what is pleasant, loses the true end (goal)”*

(Explanation: The statement, “both these chain a man” is very significant from the highest stand point of supreme goal. The path of pleasant abducts the pursuer often into the dangerous jungles of crimes and sins there by insuring him for a long lease of painful existence as conscious being born in the lower wombs (yonis)

#### **Translation of the Mantra:**

*These two, ignorance and what is known as Knowledge, are wide apart and lead to different ends or goals*

Explanation: The path of pleasant is the path of ignorance and the path of good is the path of knowledge

#### **Translation of the Mantra:**

*The ignorant , who live in the midst of darkness but fancy themselves to be wise and learned , go round and round deluded in many crooked ways, just as blind being led by the blind*

Explanation: Man is his mind. As we cultivate and train the mind so shall we become. Tune our minds to the impermanent lower value of negativity and we become gross insensible two-legged animals. Train the mind to think and act in terms of the higher and permanent values of love, tolerance, mercy etc., and we get ourselves cultured and perfected to become signatories in our own appointments for the future.

There is no destiny beyond and above ourselves the architects of our future

#### **Translation of the Mantra:**

*“Both the good and the pleasant approach the mortal man; the wise man examines them thoroughly and discriminates between the two; the wise man prefers the good to the pleasant, but the ignorant man chooses the pleasant for the sake of this body through avarice (extreme greed for wealth or material things) and attachment”*

Explanation: In corporate world, Proprietors/BOD/ CEO, as corporate citizen, take strategic decisions after thoroughly examining and discrimination, thus lead towards long term growth or losses to stakeholders

### 2. Mantras by Chankya, for governance

#### **Translation of the Mantras:**

If the ruler (e.g. CEO of a Corporation) is righteous, people are righteous, if he is a sinner, the people are also sinners, if he is equal in vice and virtue, so are people. People follow the ruler.

The rulers (e.g. BOD/CEO of a Corporation) duties are stated to be five: punishment of the wicked (dusht) , rewarding the righteous, development of state revenues by just means, impartiality in granting favours and protection of the state

### 3. Translation of the Mantra from Patanjali Yog sutras:

BOD (including CEO) as corporate citizen, is constituted of persons and its decisions are as per quality of these persons. If these are persons have control over their thought waves, decisions and executions will be more ethics based as per following mantras

- **Yoga is control of thought waves in the mind (*chitta*).**

Explanation: Mind is made up of three components, *manas*, *buddhi* and *ahamkara*. *Manas* is the recording faculty which receives impressions gathered by the senses. *Budhi* is the discriminative faculty which clarifies these impressions and reacts to them. *Ahamkara* is the ego sense which claims these impressions for its own and stores them up as individual knowledge. The mind seems to be intelligent and conscious. Yoga philosophy teaches that it is not. It has only a borrowed intelligence. The Atman is intelligence in itself, is pure consciousness.

- **When he is not in the state of Yoga, man remains identified with thought waves in the mind. There are five kind of thought waves –some painful , others not painful**

Explanation: A painful wave, is not necessarily a wave which seems painful , when it first arises in the mind, it is a wave which brings with it an increased degree of ignorance , addiction and bondage

- **These five kinds of thought waves are: right knowledge, wrong knowledge, verbal delusion , sleep and memory. The right kind of knowledge are: direct perception, inference and scriptural testimony. Wrong knowledge is knowledge which is false and not based upon true nature of the object**

The classical example given in yoga literature is that of a piece of rope which is mistaken for a snake

- **Verbal delusion arises when words do not correspond to reality**

A common form of verbal delusion is jumping to conclusions e.g political speech

- **Sleep is a wave of thought about nothingness**

Explanation: dreamless sleep is not an absence of thought waves in the mind, but a positive experience of nothingness. It can not , therefore be confused with the wave less state of yoga.

- **Memory is when perceived objects are not forgotten, but come back to consciousness**

Memory is a kind of secondary thought wave . A wave of direct perception causes a smaller ripple or series of ripples. The thought wave of sleep also causes smaller ripples, which we call dreams. Dreaming is remembering in your sleep

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**II ). Few examples of theory in practice “ the path of good is the path of knowledge”, . “Both the good and the pleasant approach the mortal man; the wise man examines them thoroughly and discriminates between the two; the wise man prefers the good to the pleasant .” There is relevance of above mantras for corporate world.** Examples of living high profile Personalities/ Companies are:

**Infosys Technologies:** “We have striven hard for respectability and to create an ethical organization” said Mr Narayana Murthy, Chairman in 2001. Qualities :Top management leadership commendable , company on growth path, competitive, export oriented. Good employee relations. He said that Infosys encourages a value structure involving high aspiration, youth and new ideas, merit ,innovation, speed, openness, entrepreneurship, fairness in every transaction, best corporate governance practices, and putting the interest of the

company ahead of personal interest. Lifetime achievement award citation to NR Narainmurthy states: “for ushering in a new era of entrepreneurship, and basing corporate success on the bed rock of ethical practices and commitment to wealth distribution”

**HLL:** “By focussing on 30 brands, we have been able to concentrate our resources” said MS Banga, Chairman, HLL, in 2001. Qualities- took New initiatives in marketing, excellent corporate Governance, maintained performance standards over several decades

**Reliance Industries:** “Reliance is passionate about global leadership” said Mukesh Ambani, as vice chairman in 2001. RIL is Capable of marshalling resources. Thinks big, Savvy tax management. Growth oriented strategies. Life time Achievement award citation to Dhirubhai Ambani states: “for exemplifying the spirit of enterprise, for thinking global, and for unrivalled contribution to the growth of India’s private sector and its capital market”

**WIPRO:** “We want to be among the top 10 IT services companies globally (by 2004)” said Azim Premji, chairman in 2001. Qualities: Good corporate Governance standards. Transparent and professional. Premji’s image. All round achievement in Infotech

**ICICI:** “We run a meritocracy over here. We play hardball with competition” said KV Kamath, Chairman said in 2001. Qualities: Tremendous growth in a short time. Benchmarked against global banks. Aggressive marketing strategies

**Larsen & Toubro :** “ I can build, and I will, a world class IT company of the size of India’s top 5” said its chairman in 2001. Qualities- Engineering excellence. Professionally managed company, consistent profitability. Good employee relations

**ITC Ltd:** “We are conscious corporation in all aspects of our contribution to society” said YC Deveshwar, Chairman in 2001. Qualities: A big company consistently making profits despite adverse regulations, smart diversifications

**Tata Steel :** turn around story, over the time managed 40% reduction in manpower with increase of labour productivity by >100%. Cut **Costs** across the board, and increase operational efficiency to such a point that it now ranks lowest cost producer of steel in the world. Citation: “for proving that an elephant can indeed dance, for benchmarking against international standards of efficiency, and for keeping the old economy fire alive”

**HDFC Bank status in 2001:** It has rewritten rules of Banking in India: leveraging technology to lower transaction costs, making it possible for middle class consumer to access services that are of high standard yet affordable, spreading ATM culture, reducing non performance assets to just 0.5% and building a strong brand in a short span of time

**Life time Achievement citation to Verghese Kurien :** “for marrying the cooperative with the corporate, for selfless dedication to the cause of Indian agriculture, and for changing the face of rural India”

**III) Few examples to prove the theory “The path of pleasant is the path of ignorance”. The path of pleasant abducts the pursuer often into the dangerous jungles of crimes and sins there by insuring him for a long lease of painful existence as conscious being**

**Three former WorldCom executives settle with investors :**

Three former executives of WorldCom Inc. have reached settlements in a class action lawsuit brought by investors who lost billions of dollars when the telecommunications firm collapsed in an \$11 billion accounting fraud, a federal judge said Monday.

Judge Denise Cote, of Manhattan federal court, scheduled a hearing Thursday to discuss preliminary approval of the settlements, reached by former WorldCom finance chief **Scott Sullivan**, former accounting director **Buford Yates** and former controller **David Myers**.

Former WorldCom CEO **Bernard Ebbers**, 12 former WorldCom directors, auditing firm **Arthur Andersen** and **major investment banks** that underwrote WorldCom securities have reached settlements with the investors totaling more than \$6 billion.

Worldcom-Chief Ebbers found guilty over WorldCom fraud :

A jury has found Bernie Ebbers, the former head of WorldCom, guilty of the biggest accounting fraud in history over his role in the firm's \$11bn collapse. After deliberating for eight days, the New York jury found Ebbers guilty on nine counts, one each of conspiracy and securities fraud and seven of false regulatory filings. He faces a possible 85 years in jail when sentenced on 13 June.

**Time Warner settles SEC fraud charges:**

Time Warner just agreed to pay securities regulators \$300 million and restate three years of financial results to settle civil fraud charges stemming from its accounting of online advertising revenues and subscriber counts at its AOL unit.

The settlement with the Securities and Exchange Commission also calls for the world's largest media company to open its books to an independent examiner, which could result in additional restatements.

**Patrick Kuhse, a speaker and consultant on business ethics**, addressed the audience and told them of his experiences.

In 1993 Kuhse was involved in a scandal with the Oklahoma Secretary of the Treasury. Instead of facing the charges, he fled, spending 3 ¼ years in Costa Rica on the lam from police. "I was willing to do anything to avoid prison," he said. Finally he turned himself in, spending 71 months in jail on charges of bribing a public official, conspiracy and money laundering. Additionally, he had a \$4 million restitution to pay to the federal government as a result of his crimes and was banned for life from the securities industry.

But while in jail, instead of feeling at a low, Kuhse said he felt at a high - he was no longer running from his crimes and instead was able to stop fooling himself and finally accept what he had done.

**IV) Example - Tata Group of companies :** A rich rubric (An authoritative rule of conduct or procedure) of ethics-Defined by a deeply rooted set of values and beliefs, corporate governance in the Tata Group rests on the twin pillars of trust and integrity. It is a term as amorphous in definition as it is prevalent through lip service, but the essence of corporate governance remains uncomplicated enough: ethical business behavior in every sphere and with all constituents. This crystal-clear characterisation has been the bedrock on which the Tata Group has built its enterprises. Honesty can ingrain it in the character of the organization — through tradition, value systems and a commitment to the letter as much as the spirit of laws and regulations. **This is what the Tatas have endeavoured to do in the 100-plus years of its existence.** Corporate governance as practiced by the Tata Group translates into being fair and civic-minded, fulfilling its duties to the entire spectrum of stakeholders, and, most importantly, making integrity an article of faith across all its operations. Tata way of business is a growing catalogue of explicit policies, most notable the **'Tata code of conduct'**, a comprehensive template of ethical behaviour that guides the actions and decisions of the group's employees.

Group chairman Ratan Tata's views on the issue are illuminating. Speaking in an interview in 2002, he said: "Business, as I have seen it, places one great demand on you: it needs you to self-impose a framework of ethics, values, fairness and objectivity on yourself at all times. It is easy not to do this; you cannot impose it on yourself forcibly because it has to become an integral part of you. What has to go through your mind at the time of every decision, or most decisions, is: **does this stand the test of public scrutiny...?** As you think the decision through, you have to automatically feel that this is wrong, incorrect, or unfair...". The 'leadership with trust philosophy : Protecting this trust from the fallibilities of individuals and institutions is, for the group, an obligation rather than a burden. From here stems the Tata conviction that, while openness, transparency and accountability, the pious sentinels of corporate governance, are crucial, they cannot override what actually occupies the heart of good governance: **credibility, trust and integrity.**

The troubles at Tata Finance alerted the Group to the need for processes to prevent scams of the sort erupting again. There were not enough checks and balances then; today we have put in controls and processes. We have an active audit committee in place, chaired by an independent director. We have strengthened the internal auditing function and supplemented it with external auditors. The explicit component of the Tata Group's corporate governance rubric includes an ethics counselor in every Tata company and a group ethics council. Governance issues are dealt with by senior executives and companies have the freedom to settle matters internally.

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