BUILDING STRATEGIES FOR FUTURE —  
A PROFESSIONAL’S PERSPECTIVE

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I. THE CHANGING PARADIGM

The world is moving at a breakneck speed and the advancement in communication and information technology is the striking feature of contemporary society. The transfer and transmission of large volumes of data and information to remote corners of the world has brought about a qualitative change in economic, social and political thinking. Capital markets have been practically interconnected. As news spreads all over the world within moments, distance loses its importance. The violation of human rights and destruction of environment become equally important, whether they occur in a neighbouring country or at the other end of the world.

Similarly as a consequence of increasing interconnectedness and interdependence, the structures of national governance are all for change in the course of globalisation. The quest for more mobility and efficiency has compelled the nations to open up their borders and allow globalisation to expand and grow, however, within the national governance system.

One of the basic indicators of the maturity of any profession is its continual capacity to adapt itself to the constantly changing scenario. Times have never been as challenging for the professionals in the corporate sector as the incidences of corporate debacles, one after the other, and the shrinking of once commercial giants seems to echo and underline today. With the sharp focus on maintenance of good governance, as the key to standing tall in the turbulent seas of today’s business world, it is incumbent upon the profession of Company Secretaries to unflinchingly demonstrate in the ensuing scenario that the profession is eminently suited in its capacity of being the principal driver of corporate governance and the custodian of ethical well being of the company. All challenges brought about by change embody opportunities sometimes appearing as problems to scare away the unprepared and which can only be seized by those prepared to ride courageously on the winds of change.

The profession should not only know what it ought to do, but must actually do in order not to leave any action gap. Such action gaps, if allowed to exist, will not only affect the day-to-day activities in the profession, but will also affect strategic actions vital for renewal of the profession. Actions for building future strategies will not only articulate the purpose and goals of the actions, the professionals should also know what they are doing and why. Building future of a profession would need an unclouded commitment on the part of the professionals. This should move beyond motivation to generating personal volition to build up the future. Such a volition suppresses any doubts, receptiveness to distractions and provides force to deal with any setbacks or obstacles.

Advent of Information Age

The information society is not just a product of information technology but an outcome of a dynamic interplay of a set of intermeshed and interacting social and technological dynamics which include information processing and telecommunication and an increasing convergence of progressively escalating levels of specialization in the economy, and the emergence of a better informed and vigilant society which not only requires but demands better governance.

The information age has created a society and corporate climate, which is richly interconnected. Looking at the information age related consequences in the social and economic milieu, one is forced not only to acknowledge

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each one of the following information age driven developments, but also to devise actions to deal with each one of them:

- interconnected stock exchanges across the world;
- border-less capital markets;
- increasing rationalization of business on a global basis; and
- growing importance of supranational institutions like WTO and ever present information networks making transborder transactions instant.

Each one of the above developments requires proactive study and response system to help the profession add value to corporate clients in a visible way.

In the information age, countless ways and multiple channels of information access have sought to bid a gradual farewell to the era of secrecy. Progressive legislations, demands of competitive parity and indeed the imperative to seek and join the global main stream have made information not only a requirement for corporate stakeholders but also a right to be demanded and exercised. From a manager of confidentiality and secrecy to a hub of disseminable and sharable requisite information, there is a paradigm shift in the role of the Company Secretary. Understanding the imperative to change and rising to the occasion by becoming a stakeholder friendly, reliable and readily available information resource for sharable information is the role profile that the Company Secretaries would have to adopt and master.

Each of these developments translates into an enlargement of the role and responsibility of the Company Secretary in dealing with the portends of good governance in the information age, in managing information and disclosure flows with literally the speed matched by the requirements of an interconnected world and dealing with both conventional and unconventional corporate structures.

**Market Oriented Regulatory Ambience**

With the initiation of economic reforms process in July 1991, the Government has initiated the process of Legislative Reforms to suit the changing policy orientation and to fulfill its obligations under WTO. In the process, the Government enacted various new laws, amended existing legislations and some Bills are awaiting nod of the Parliament, to provide a conducive economic and corporate legal environment. Some of them are enumerated below:

**Enactment of New Legislations**

(i) Securities and Exchange Board of India Act, 1992;
(ii) Depositories Act, 1996;
(iii) Arbitration and Conciliation Act, 1996;
(iv) The National Environment Appellate Authority Act, 1997;
(v) Trade Marks Act, 1999;
(vi) Telecom Regulatory Authority Act, 1997;
(vii) Foreign Exchange Management Act, 1999;
(viii) Insurance Regulatory and Development Authority Act, 1999;
(ix) Central Electricity Regulatory Commission Act, 1999;
(x) Geographical Indications of Goods (Registration and Protection) Act, 1999;
(xi) Information Technology Act, 2000;
(xii) Designs Act, 2000;
(xiii) The Semiconductor Integrated Circuits Layout Designs Act, 2000;
(xiv) Securitisation and Reconstruction of Financial Assets and enforcement of Security Interest Act, 2002;
(xv) Competition Act, 2002;
Amendments to Existing Legislations

(i) The Indian Electricity (Amendment) Act, 1991;
(ii) The Electricity (Supply) (Amendment) Act, 1991;
(iii) Sick Industrial Companies (Special Provisions) (Amendment) Act, 1993. SIICA has also been amended by Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. The Companies (Second Amendment) Act, 2002 has incorporated provisions relating to revival and rehabilitation of sick industrial companies in the Companies Act, 1956. The relevant provisions will come into effect after notification by the Government.
(v) Motor Vehicle Act, 1988 (Amended in 1994);
(vi) National Highways Act (Amended in 1995);
(vii) Securities (Contracts) Regulations (Amendment) Act, 1996;
(x) Copyright (Amendment) Act, 1994 & 1999;
(xi) Patents (Amendment) Act, 1999 & 2002;
(xii) Patents (Amendment) Act, 2005;
(xiii) Code of Civil Procedure (Amendment) Act, 1999;
(xiv) The Recovery of Debts Due to Banks and Financial Institutions (Amendment) Act, 2000;
(xv) Consumer Protection (Amendment) Act, 2002;

It is, therefore, imperative for Company Secretaries not only to sharpen their core competencies but also diversify in new and emerging areas, thrown open by market oriented regulatory ambience. These areas include intellectual property rights, mergers and acquisitions, arbitration and ADR modes, insurance, due diligence, foreign collaborations and joint ventures, direct and indirect taxes including service tax and Value Added Tax.

Sharp Focus on Good Corporate Governance

With the advent of “Global Village” the concept of universality as envisaged by our elders that the entire universe is one (“Vasudhaiva Kutumbakam”), has become a virtual reality now. Thanks to mind boggling scientific technological advancements pronouncing the death of distance and speeding up communication, people contacts have become instantaneous across the nations. Knowledge constantly makes itself obsolete – with the result that today’s advanced knowledge is tomorrow’s ignorance. One has to be on the learning curve and continuously move up. All the knowledge workers have to leverage intellectual capital for growth – creative destruction – keep on innovating – otherwise some one else will be at the top of the pecking order.

The assumption that business and ethics are adversaries and whose co-existence is impossible, no longer holds true in today’s globally competitive corporate landscape. The trade-off between good governance and the lure for higher profits has always been the dilemma of businessmen. The deep-rooted belief that as long as the performance is good, corporate governance is not an issue of great significance has outlived its relevance in view of the periodic crises in the market. It has now been widely recognized that outstanding performance, higher profits and expanded reach, nothing acts as safeguards for a company when good governance and ethics are back burners. While a single wrongdoing is enough to ruin the reputation of a company, it takes ages to build the culture of strict adherence to good governance practices, keeps it ahead on sustainable basis.

While the goal of achieving monetary gains is laudable, the means to achieve that end are as meaningful as the end itself. This makes it imperative for professionals to ensure that companies means do not trespass the moral and ethical boundaries, besides the legal limitations.

In a world of exponentially shortening product and service life cycles, professions have to continuously innovate– redefine – recreate – think out of the box. The future winners will be those firms that escape from the gravitational pull of the past on the fuel of innovation.
Globalisation of Professional Services

Pre-Uruguay Round GATT framework applies only to trade in goods, reflecting traditional assumptions that services are not easily tradable. The splintering of services from goods and increasing use of external contracting to obtain service inputs into the production of goods have created new explicit markets for services. As the comparative advantage in the production of many manufactured goods has shifted to new industrialising countries, the developed nations have become increasingly concerned with enhancement of trading opportunities in service sector, particularly in the areas such as financial services, insurance, telecommunications, information technology and professional services. In the light of various developments which have created increased potential for international trade in services, the reduction or elimination of barriers to trade in services became a major priority of a number of developed nations at Uruguay Round negotiations and thus, the trade in services has been included in the WTO framework.

General Agreement on Trade in Services (GATS) applies in principle to all service sectors except “services supplied in the exercise of governmental authority”. These are services that are supplied neither on a commercial basis nor in competition with other suppliers viz. social security schemes and central banking. The GATS sets out four modes of supply of services. These include cross border trade, consumption abroad, commercial presence and movement of natural persons.

Classification of Professional Services

The WTO Secretariat has divided all services into twelve categories, covering business services, communication services, construction and engineering services, distribution services, education services, environment services, financial services, health services, tourism and travel services, recreation, cultural and sporting services, transportation services and other services.

The professional services covered under Business services, include legal services, Accounting, Auditing and Book keeping services, taxation services etc., but do not include all secretarial services. The services being rendered by Company Secretaries are therefore spread over various sub-sectors such as financial intermediation services and auxiliary services thereof, professional services and computer and related services.

In this direction the Institute has requested the Ministry of Commerce to take steps for the creation of new head under the services sectoral classification of the WTO titled Corporate Governance, Compliance and Secretarial Advisory Services comprising Corporate Secretarial services; secretarial audit and compliance audit services; certification services; corporate governance services; and corporate advisory services. The Institute has also urged upon sister institutes in some other countries to get their councils to make similar efforts with respective governments.

The Mutual Recognition Agreement (MRA) has become the preferred means of resolving issues of professional equivalency and reciprocity in recent years. MRAs vary in scale and scope and can be reached between professional bodies, nations and regional groupings. Their implications for the professions are considerable. In December 1995, at the Bangkok Summit, members of ASEAN signed off on an ASEAN Framework Agreement on Services (AFAS) with the major goals to enhance co-operation in services amongst Member States in order to improve efficiency and competitiveness, diversify production capacity and supply and distribution of services of their services suppliers within and outside ASEAN; to eliminate substantially restrictions to trade in services amongst Member States; and to liberalise trade in services by expanding the depth and scope of liberalisation beyond those undertaken by Member States under the GATS with the aim to realising a free trade area in services.

A word of healthy caution to the profession here however should not come amiss. We need to be conscious of the fact that all trans-border trade in services through all the modes is intended to be a two way traffic. While there are opportunities for the profession to be looking outwards, there is also the competitive threat of service providers from overseas making inroads into the Indian markets, once GATS becomes fully operational in India. Only cutting edge excellence and constant investment in our own competence profile are the surest ways of insulating our market share from competitive posturing from abroad, and the time to take proactive action is almost upon us now.

II. KEY CONSIDERATIONS FOR PROFESSIONAL EXCELLENCE

In view of preceding discussion, it is clear that changes are apace and will continue to impact the corporate and consequently the professions. It is, therefore, imperative that plans and strategies are devised so that the sailing in
changing environment becomes comfortable and rewarding. The following paragraphs briefly explain key considerations for future:

**Professional Preparation**

The issue of initial professional preparation, particularly as it concerns matters of accreditation, certification and hence, has been the subject of considerable international attention of late. Accreditation is a form of quality assurance for programmes and institutions; certification formally attests that an individual has met a certain standard of achievement; and licence is the process whereby professionals are granted permission to practise. All three processes vary, sometimes considerably, from country to country and profession to profession. And in all three there is growing support for the idea of greater convergence towards international standards and procedures.

**Professional Competencies**

Professional competency is another issue that is being addressed internationally. The Australian Institution of Engineers, for instance, has developed national professional competency standards for engineers that can also be applied to foreign engineers seeking entry. These standards provide a basis for judging the eligibility of candidates for membership, a flexible but rigorous assessment system, the design of undergraduate and postgraduate engineering courses, the development of industry-based competency standards, and the articulation of standards for professional engineers, engineering technologists, and engineering associates. The Hong Kong Association of Accountants is also moving to a competencies-based approach for determining access to the profession by both nationals and foreign-trained accountants.

A variety of professions is addressing the question of whether continuing education should be voluntary or mandatory. In the meantime, professions such as law, accountancy, architecture and engineering are introducing programmes designed to update and expand the knowledge and skills of experienced professionals by making the development programmes compulsory for their members in practice.

**Quality of Professional Services**

Concerns over quality assurance are, of course, an integral part of international trade in professional services. Quality assurance, indeed, is increasingly being defined in terms of reciprocity and international norms and standards by professional bodies, accreditation agencies, higher education institutions and multilateral and non-governmental organisations.

**Professional Ethics**

Theodore Roosevelt, twenty-sixth President of the United States, said “To educate a person in mind and not in morals is to educate a menace to society.” The National Commission on Fraudulent Financial Reporting (Treadway Commission) indicated that curricula should integrate the development of ethical values with the acquisition of knowledge and skills. John C. Burton, dean of the Columbia University Business School, in a speech to the American Accounting Association, stated that the declining influence of social institutions has increased the role educators must play in shaping values. Cal Thomas made the assessment that “If we want to produce people who share the values of a democratic culture, they must be taught those values and not be left to acquire them by chance.”

The learned professions the world over have accorded highest priority to professional ethical standards in the dealings and relationship of professionals with their employers, employees, Government, fellow professionals and the public at large. The fundamental principles which should govern the conduct of a professional with others have been broadly identified as to encompass

- integrity;
- professional independence;
- professional competence;
- objectivity;
- ethical behaviour;
- conformance to technical standards, if any, prescribed; and
- confidentiality of information acquired in the course of professional work.
The standards, principles, codes and best practices evolved in these professions are founded on assumptions of human welfare. The professional is thus expected to owe an allegiance to his calling, which expects him to put his personal interests or that of the company behind those of the professional standards. Therefore, the purpose of ethics in profession is to direct the professionals to abide by a code of conduct that facilitates, if not encourages, public confidence in their services. Now the question is can ethics be taught and the answer is yes, Infact at some point in life, ethics must be taught. The basic values such as honesty, self-control, concern for others, respect for legitimate authority, fidelity, and civility must be passed from one generation to the next, a fundamental process of the family.

One of the universally accepted characteristics of a profession is the observance of a strict code of conduct by the members of the profession. The basic reason why code of conduct is strictly to be enforced in the case of professional is, that a professional is endowed with higher faculties conditioned by an elaborate preparatory education, rigorous instruction and valuable practical training, as to distinguish, above all, righteous act/conduct from those deviant and unedifying.

The services of a professional are personal to a client and the client would, therefore, expect the professional to be a person of character and integrity given by a firm assurance through the code of conduct evolved and effectively administered by the professional body concerned, of which the professional is a member. Code of Conduct which also goes by the synonym ‘Professional Ethics’ encompasses a professional’s conduct towards his peers, the clients, the employer and the public at large.

**III. MULTI DISCIPLINARY PARTNERSHIPS – A PATH FOR PROFESSIONALS TO TREAD**

One of the most striking changes in the evolution of the American legal market over the last 20 years or so has been the extraordinary growth of mega law firms.

This extraordinary growth has, not surprisingly, caused many law firms to reorganize their governance and management systems to marshal their resources, market their services, and manage their client relationships more effectively. Infact, it has encouraged more business-like behavior in organizations.

The move toward more centralized governance and management systems has also, however, placed increasing pressure on the concept of partnership as the organizing model for large professional firms of the future.

Service providers are now expanding geographically as never before. Their objective is to locate geographical and topical markets that have not been fully penetrated. One of the primary benefits to professionals as one-stop shops, is that they reduce the cost of new market penetration through the cross-selling of new services by professionals who are already in the market-place. This leverage is not available to independent firms, which must undertake significant costs in order to expand into new markets.

The Multi Disciplinary Partnership (MDP) seeks to solve this problem by bringing resources in-house to offer all services to businesses everywhere. The MDP seeks a solution by combining existing networks and service providers into a common organization. Each has the common objective of being global as well as local at the same time.

The MDP can assist all of its members in developing new management skills by sharing information. This can be done at meetings and in publications. Members can meet individually to form sub-groups. These new skills will make each of the members more competitive as well as more competent to provide and manage complex services for their clients.

**Cost Effectiveness Through Technology**

More than one third of the cost for professional services is overhead including rent, support, equipment and marketing. Technology in recent years has reduced the staff support costs and generally improved productivity. With technology, virtual private networks can be created by anyone. These secure communication links permit direct access from anywhere. New technology also means that operations can be efficiently managed by making internal documentation easily available without the need for printing and distribution. The Intranet can be used to bring the sum total of all the resources of the individual parts of the MDP to each individual professional.

The MDP reduces costs for services while it increases the return to the professional providing the service. The costs are reduced by the elimination of distribution inefficiencies. Professionals deal directly with each other in real
time and with their clients. The resources available for each unit are the total resources in the virtual network as a whole rather than the limited resources at the individual member firms.

**Competitive Implications**

The professional objectives of any for-profit organization are to maintain standards of conduct; offer high-quality, cost-effective services; and compete against the other professionals, who have precisely the same interests, to make the most money. The MDP can make four profound changes on how professional service providers compete.

- Information about clients and professionals can be automatically matched through databases and further refined by the clients and professionals themselves.
- The professionals geometrically expand their referral base because the non-lawyer members are greater in size and are not reluctant to make referrals for fear of losing a client. In addition, the number of clients represented by the MDP is vastly larger than those represented by even the largest law firm network.
- Professionals and clients can be matched according to their interest profiles within an organization. This expands vertically the number of participants if each group is in a different market or provides a different service.
- The MDPs can provide clients access to the same database and tools that members of the relationship enterprise have at their fingertips.

Since professional services, rather than the management of these services, is the profit center for professionals, delegating a portion of “management” to the client would therefore contribute to the bottom line. It would also make the client the marketing vehicle for services, which effectively increases the referral base for each professional.

Therefore, the MDP radically changes the competitive equation making it possible for firms of all sizes to offer services to their individual clients. It does so at a fraction of the cost of bringing all services in-house and in a way that sets the highest standards both globally and locally.

**CONCLUSION**

The benefits of knowledge driven society cannot be reaped with traditional thinking. Company Secretaries have to come to terms with the high expectations of globalisation, financial institutions, investors, clients and all the stakeholders of society. Litmus test lies in policies, strategies, processes and practices conforming to the highest global standards. It is not the load that breaks a professional, it is the way he carries it. Ability is what the professionals are capable of doing. Motivation determines what they do. Attitudes determine the altitude to which a professional could reach. It is the attitude and not the aptitude that determines the altitude of a person. The success of a professional depends on his attitude. All limits are self-imposed. We must not be complacent with doing what every one else is doing we need to do better than others. We need major break throughs in all new and emerging areas and for that we must go beyond the obvious.

**REFERENCES**


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