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CORPORATE GOVERNANCE THROUGH ANCIENT INDIAN SCRIPTURES



Daammyat: Self Control, Data: Charity, Dayadhvam: Compassion. Three pillars of the Ethical Philosophy as elucidated in Brthadaranyaka Upanishad

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WISDOM FROM ANCIENT INDIAN SCRIPTURES ON GOOD GOVERNANCE

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Abstract

India's culture is among the world's oldest. We are a colorful combination of race, religion, language and customs with a unique culture and spiritual ethos. Indian scriptures are the strong element in building a diverse culture and philosophy in India. Ancient scriptures of India are the source of the wisdom for humankind and incomparable heritage of the world. Many prominent Ancient Indian scriptures emphasize on good governance model for creating an effective administrative and well-organized kingdom. Corporate Governance is not a modern day concept; we can discover its root from ancient Indian scriptures. Many of our Indian ancient scriptures emphasise that the essence of good governance is lot more than compliance which involves creating a culture of responsibility, fairness, transparency, effectiveness, accountability and reliability.

This article attempts to analyze the teachings of certain ancient Indian scriptures on good governance which can be applied today for implementation of better governance mechanism to build a resilient organization which can survive, sustain and succeed through any uncertainties.

1. Introduction

The history and culture of Bharat is phenomenal, dating back to the origin of human civilization. Indian custom and ethnicities are amongst the world's oldest, which is formed as a scientific process towards human wellbeing. Indian culture owes its richness to Indian scriptures which enhanced Indian philosophy. Among the various Indian scriptures, the Vedas have been the sources of magnificent knowledge for the humankind, which fascinated many with its subtle and boundless philosophy. Bhagavad-Gita is the summary of all Vedic philosophies and its teachings can be applied for effective implementation of Corporate Governance.

Corporate Governance is not a new concept; it was well acknowledged during ancient times. The concepts of ancient Indian wisdom play an important role in corporate governance and there is a great learning from ancient Indian wisdom through Vedas, Upanishads and Yoga sutras.

Currently, the entire globe is traumatized by the Covid-19 pandemic which drastically affected the business, economy and society at large. At times like this, it is very important, how we conduct ourselves, physically, mentally and emotionally to navigate through this hard-hitting situation vigilantly. While the corporates are instantly working on mitigating the risk caused by the pandemic, it is significant to look deeper into ourselves, our past and possibly into our ancient scriptures. According to Vedic philosophy, business is as an integral part of society and should create wealth for the society through correct action.

India's rich heritage of everlasting scriptures are worth revisiting to take relevant learnings on good governance for restoring business, economy and personal life at times of uncertainties.

2. Relevance of Good Governance from Thirukkural

The Vedas are considered as the oldest literary record of Indo-Aryan civilization. The word Veda means wisdom and the essence of which is to regulate the social, legal, domestic and religious customs. Various literatures preaching ethical values and moral living have been found in ancient Indian scriptures. One Amongst them is the oldest famous literature which received world class scholars' appreciation and translated into 30 different world languages is none other than "Thirukkural" wrote by Thiruvalluvar.

Corporate Governance is an ethical code of business for companies. It is a method by which organizations are directed and managed. The board of directors is responsible for the governance of companies and to ensure that appropriate governance structure is in place. '*Iraimachi*', one of the chapters in Thirukkural depicts the duties of king and characteristics of a well-governed and socially responsible organization. There are so many similarities with the present Corporate Governance framework and Iraimachi. The major pillars of successful corporate governance are: Fairness, Accountability, Transparency and Responsibility. All four elements are significant in running any organization successfully and forming concrete relationship among its stakeholders.

Below is the portrayal of resemblances between certain couplets of Thirukkural and pillars of Corporate Governance and the way it can be applied by the corporates to sail through the turmoil caused by Covid-19 pandemic.



Fairness: ‘Orndhukan Noataadhu iraipurindhu yaarmaattumthaerndhusey vaqdhae murai’ (*Search out, to no one favour show; with heart that justice loves consult, then act, this is the rule that right approves.*)

This couplet explains the fairness or equal treatment of people as one of the quality of a king. Whether it is distribution of wealth or punishment, there should be a fair and equal treatment without favoring or discriminating anyone. One of the significant element of Corporate Governance is fairness which means “treating all stakeholders including minorities, reasonably, equitably and provide effective redress for damages. Fairness requires corporates to hear shareholder’s grievances and address any issues concerning their rights and benefits. Fairer the entity, more likely it will build concrete trust and confidence amongst the shareholders that their investment will be protected from misuse or misappropriation.

While Covid-19 pandemic made companies to adopt to the new normal, it has also forced them to lay off employees besides salary cut to save cost. In mid- March, around 3.3 million Americans have filed for unemployment in just one week which is the biggest number in history. Lay off can take a huge toll on employees, psychologically and emotionally. As businesses around the globe are thinking of cost cutting and implementing wage freeze, finding new job opportunity is also extremely difficult.

At times like this, it is important to ensure fairness and equity towards employees. It is essential to take care of employees, who are the significant assets of the organization. Companies should design a fair-minded strategy for layoff and do the appropriate thing in this time of crisis instead of finding a way to save a penny. While trying to cut cost, companies should keep layoffs as the last resort.

Transparency: Kaatchik Keliyan Katunjollan Allanel Meekkoorum Mannan Nilam (*Where king is easy of access, where no harsh word repels, that land's high praises every subject swells*).

In this verses, Thiruvallur talks about the ease of access to the King by the people to raise their concerns. The king should conduct his duties in a transparent manner which makes people fully aware about the functioning of the kingdom w.r.t to the welfare of the country. Under the Corporate Governance parlance, transparency has a wide meaning but essentially entails the availability of reliable and relevant information about the financial performance, investment opportunities, governance, risk and value of the company. Transparency is a critical component of corporate governance because it ensures that investors is made aware of every action of the Company at any given point of time. Further, transparency not only provides a platform to take investment decisions but also holds the management and board responsible for their actions which prevents them from involving in any fraudulent practices.

Financial market in India has become highly instable due to the recent pandemic hit which caused concerns amongst the investors. At this point, it is vital to establish transparent communication and engagement with stakeholders to retain their confidence. It is essential to ensure proper disclosure of matters to the shareholders concerning the performance and activities of the Company, timely and accurately to all investors enabling access to accurate facts which precisely reflects the position of the Company. Recently, Securities and Exchange Board of India (SEBI) has issued a circular which mandates listed company to disclose the material impact of the Covid-19 pandemic while submitting their financial statements. Corporates should make use of public disclosure as an opportunity to engage with shareholders and communicate the financial impact, strategy change and business continuity plan in a transparent manner to boost investor confidence.

Responsibility: Muraiseydhru kaappaatrum mannavan makkatku iraiyendru vaikkap padum (*Who guards the realm and justice strict maintains, that king as god o'er subject people reigns*)

This couplet says, the king who administers justice and protects his people will be considered of divine quality. Protecting the people is the prime of all the duties of the King. The king should protect his citizens with impartial justice and provide a steady and prosperous economy. The Board of Directors who act on behalf of the company, should take full responsibility for the powers given and the authority that it exercises. The Board is required to act in the best interests of the company while, overseeing the business operations, and monitoring the performance of the company.

As Covid-19 pandemic is making a significant impact on the businesses and economy, it is important for Corporates to be responsible towards their stakeholders in taking immediate steps to stabilize the business. Organizations are facing an unexpected cash crunch currently because of the revenue hit and slower business activity. While steps are being taken by the organizations to conserve and generate cash, it is important to support suppliers and vendors by paying them on time and early. Since it is a tough time for most of the businesses to keep their financial wheels running due to nation-wide lockdown, it is vital to relook the feasibility of business model considering the constant change in market conditions. When companies are forced to change their sales strategy, business plan and product timelines, it is important to stay transparent with the clients about the current state of affairs. As long as there is responsibility and transparency towards the clients, maintaining rapport and getting their support at times of crisis is effortless.

Accountability: Irai kakkum vayyakam ellam avanai murai kakkum muttacheyin (*the king protects the world and if he acts according to justice or dharma, then justice itself will protect him*)

This couplet depicts Kings accountability towards performing his duty with justice or dharma. If the king rules according to dharma, that dharma itself will protect him. The king must cultivate a high moral character to win the trust of the people and ensure well-being of the country. Accountability in Corporate Governance is the key element which describes taking responsibility for the action taken and provide valid justification. The board should establish transparent communication with its stakeholders on a periodic basis, to update them on the business strategy and operational plan to achieve its business goals.

When companies develop a survival strategy to prevent damages the pandemic can bring, it is imperative to ensure ethical way of doing business which is the key to achieve trust from the investors. While Governments' and businesses' are trying hard to handle the crisis, there are some companies making money out of the sufferings deceitfully. When the Covid-19 positive cases were in peak, the country faced shortage of masks due to certain manufacturers continuing to export masks inspite of Government ban. Few hand sanitizer manufacturing companies intentionally created supply shortage and upsurge in demand which made the demand for hand sanitizers jump 10 times and price almost doubled. These are some of the examples of unethical business practices which becomes a hindrance in building a resilient economy during uncertainties.

At times of adversity, it is vital for organization to stay vigilant and keep its ethics and values at highest level. It is a challenging time for ethics and compliance team to maintain visibility into business risk with new working style and lack of cross-functional coordination. Even at times of

crisis, there is a serious risk of fraudulent conduct with change in business pattern. Effective system and processes to be put in place on strengthening the anti-fraud measures of the organization to eradicate fraud losses. Leaders at corporates are accountable in ensuring implementation of ethics and values in building products, treating employees and engaging with stakeholders to constantly preserve the reputation of the organization.

3. Lessons from Arthashastra on Leadership

Arthashastra, believed to be written by Kautilya, also known as Chanakya is one of the oldest and prudent scriptures on governance, economics, military strategy, justice, and the responsibilities of emperors. Arthashastra is the most important work on Public Administration in Ancient India and applied by most of the Indian Kings for efficient governance and building up their empires. Following are the three powerful leadership lessons from Arthashastra that emphasize sensible and responsive leadership.

Employee centric approach: Arthashastra dictate that the success of a nation or a leader lies in the wellbeing of his people. Kautilya stresses that the satisfaction of a leader lies in the welfare of his people, and needs to be observed as a fundamental principle in a leader's decisions. Amongst all stakeholders, employees are the most significant one and keeping them first is imperative for a leader to deliver responsible outcomes to all stakeholders.

Though few companies made work from home model permanent due to Covid-19 situation, there is a serious issue on raise in employees' mental and emotional health. It is important for corporates to be in constant communication with employees as they are stressed and concerned much on the stability of their jobs. Employers need to include mental health support for employees as a crucial aspect of business continuity plan as there is a severe risk of impact on employees' mental health and productivity.

Today when business leaders are struggling to balance between taking care of employee's health and keeping them productive to mitigate the risk of revenue hit, this principle from Arthashastra can be a powerful guide.

Duty towards all stakeholders: The Arthashastra emphasizes that an organization can profit as well as sustain long-term advantage if its leader conducts business in an ethical and socially responsible manner, with responsibility towards all stakeholders. Kautilya stressed the

importance of happiness to all stakeholders of the organization. According to him, Dharma without wealth is unsuccessful and wealth without Dharma is useless. He stated that happiness is obtained not only by wealth and profit, but also by doing right things and doing things rightly. One of the substantial stakeholder of any organization is society and being responsible to it is vital. Corporate Social Responsibility (CSR) is not just the right thing to do, but it also creates a deeper connection between the company and public.

One of the core value of CSR is about communicating empathy, assist and support those who need it most at times of uncertainties. The Ministry of Corporate Affairs (MCA) announcement that funds spent on Covid-19 pandemic will be counted towards CSR activity of the Company, is much appreciable and need of the hour. This move will definitely benefit the local communities, where corporates have operations and contribute to the Government's effort to battle the disaster that has trembled the economic activity. Leaders of corporates must immediately come together in contributing towards the measures to tackle the Covid-19 outbreak and support the community. After all, we are all in this together, and together we will come out of this crisis with strength and courage.

Building a culture of Resilience

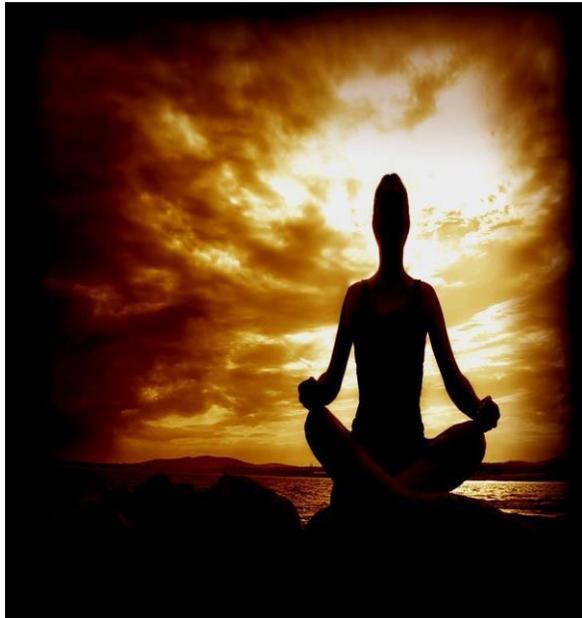
Arthashastra highlights that a leader and his team needs to develop a culture that can learn, unlearn and re-learn. One should react to any crisis promptly, be resilient enough to cope up with the situation and recover fast. This principle will help the leaders of today to effectively handle their business, which is subject to disruption and over-night change. Creating a culture of resilience, makes an organization to expect, prepare, respond and adopt to sudden change in order to survive and succeed. While building resilience, it is important to look at the company's culture which is one of the core elements or indicators of resilience. Resilience is an essential characteristic of high- performing leaders and one must cultivate it in themselves in order to create a resilient workforce.

The key to create a resilient workforce is to model resilience at the top leadership level. At times of uncertainties, resilient leaders should work towards reducing the employees' stress level and increasing their emotional energy in order to keep them performing and bring steadiness to the business. To enhance their resilience at uncertain times, leaders need to identify the coping

mechanisms and implement survival strategy that allow them to respond, recover and adopt to the new reality with positivity and enthusiasm.

4. Leadership and Spirituality

“Being a leader does not mean dominating the situation. It means empowering people to do what they would not have imagined possible”. – Sadhguru



Defining Spirituality is no easy task. From ancient scriptures to modern day Gurus, spirituality is defined in different ways. In general, spirituality means the quality of being concerned with the human spirit or soul as opposed to material or physical things. Spirituality is not a set of practice or custom; it is a certain way of living. When we nurture the body, mind, emotions and energies to a certain level of maturity, it transforms us completely, allowing to function to our fullest potential, which is what called as Spirituality.

Today people are not looking for a leader who can bring innovation in business, strategies to boost revenue and gain market share but one who can empathetically engage with the stakeholders at times of crisis, be resilient, inspire and make an impact in people's life from his every move. A leader could see something which others could not think of. He takes charge of the destiny of a large number of people and has the ability to make every problem as the possibility. Current pandemic made leaders of corporates to swift their priority from driving revenue to maintaining liquidity and cost cutting. The roles and responsibilities of a leader is subject to change with the changing business conditions and market situations. When leaders face complex business situations constantly, they will naturally be pulled down, if they are not spiritually charged. A leader will become crippled at times of uncertainties, without having mastery over his own inner nature. Most of the leadership failures are not because of their inability to handle complicated business situations but simply because of the inability to manage their own system. Indian scriptures have emphasized largely on yogic technologies for well-

being, which are the must have qualities of any leader that helps one to be calm, composed and focused at times of unprecedented situations. Spiritual leadership involves the application of spiritual values and principles to the workplace, enabling employees to find meaning and purpose of their work. The focus of spiritual leadership is more on transformation, teamwork, inspiration and diversity, and less on power, position and control.

Today, well-being of our nation and society is handled in an impromptu way by keeping spirituality as a separate entity. Being spiritually inclined should be the key element of every individual and leaders in particular, which enable them to function efficiently irrespective of external situations.

5. Raising Human Consciousness is the need of the hour

Human beings have become phenomenally powerful empowered by technology. The world is constantly working on various technology and innovation for human wellbeing without realizing that human beings are the one to be worked upon first. What a massive number of people couldn't do 100 years ago can be done by few people today with advancement in technology. With such empowerment in hand, raising human consciousness becomes absolutely vital. If that doesn't happen immediately, we will lead this planet towards destruction. A balanced economy is possible, only when people in power are in balance within themselves. If there is no balance within us, our very own capability becomes disaster. This is our legacy for the future generation, unless we wake up and do something sensible, the future generation will be in peril. This pandemic has created a severe threat to the lives of the people as well as the nation. But it has also given us a chance to discontinue from running like a machine without any purpose and realize the importance of being spiritually inclined and balanced within us to face any uncertain situations. Hence the most essential thing to happen right now for upliftment of humankind as well as the nation is raising human consciousness.

Corporates are playing a major role in contributing towards building a strong nation. They help citizens of the nation to generate income by providing job opportunities and develop rapport with other countries through their international trade. When businesses are essential for a nation's development, it is vital for corporates to conduct its business with high standards of corporate governance and ethical values. Though the regulators are taking significant steps by making stringent law to strengthen the governance ecosystem, there are substantial corporate governance

lapses in many organizations, which is proven by the recent corporate scams. Law can only provide minimum standards for proper regulation of organization, it's the responsibility of the company to implement better governance standards to establish business ethics and safeguard the interest of the stakeholders.

India has a history of creating philosophies on ethics which is the core concept of many ancient scriptures, emphasizing largely on creating harmony and balance in nature and society through ethical way of living. Anyone who fails to follow ethics in life will lose harmony & balance and in turn lead to suffering. Similarly, creating ethical values in corporates is important for its success and longevity. It is time for corporates to revisit our ancient scriptures, apply the learnings from it for creating strong governance mechanisms to persist in the dynamic business environment and be resilient to face the shift in business created by the pandemic.

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