

# INTERNAL EXCELLENCE LEADS TO EXTERNAL EXCELLENCE IN ACHIEVING CORPORATE GOVERNANCE

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Today, the word Corporate Governance is being widely used by everyone associated or connected with the corporate world. The question of 'Ethics' also becomes closely linked with this expression. Let us analyze it in the context of achieving excellence in our corporate life.

I recall a comment once made by the renowned jurist Sri S.C.Sen of Kolkata in jest. He said that the company legislation stands on three hypotheses. *First, all shareholders are fools ; second, all directors are unscrupulous, and, third, the Companies Act is there to protect the fools from the unscrupulous.* We have so long been , rather, forced to develop a culture of creating boundaries for corporate practices through burgeoning number of sections and sub-sections in the statute book. Increasing incidence of corporate malpractices and frauds have necessitated stricter laws with severe penal consequences. We must ponder if all these would really be serving the purpose of establishing desirable standards of corporate behaviour.

I think creation of more rules and regulations fraught with penalties for their violation, will never be able to achieve the desirable patterns of corporate behaviour. What is indeed required is a realization that the revival of 'value education' in our society can work wonders and also make perfect business sense.

Company legislation is primarily a basic document to guide governance of corporate organizations. It is, therefore, a continuous process and there is no upper limit for good practices. The Securities and Exchange Board of India has come out with a set of governance guidelines in Clause 49 of the Listing Agreement for the Listed companies to follow. I wonder, if these guidelines are adequate ? Can the company management claim that it is complying with good corporate governance norms by disclosing everything that is required under the code, while adopting at the same time what ought not to be done under the conventional standards of morality?

Every business is a human enterprise. Ethics is a fundamental personal trait ; one adopts ethical practices as a guiding principle in his life, for, these govern his sense of right and wrong to enable him to follow the right path and eschew the wrong course. The same test must apply to business practices, *namely, the test of 'fairness and truth'.*

I have stated earlier that proper value education can instill in human beings this integration of the required qualities of personal life in corporate culture, and that only can guarantee compliance of the codes of corporate governance. No amount of legislation can ever achieve this in society.

The Company Law is a blend of rules, regulations, laws and practices (both voluntary as well as imposed) which enable the companies to create value from the natural resources with the help of financial and human resources, to preserve that value for the society at large, and to distribute that value among the stakeholders including the community which owns the resources.

A business, regardless of its organizational structure, is a human enterprise. As stated earlier, if 'ethics' happens to be a fundamental personal trait which one adopts and follows as a guiding principle in his life, business, too, cannot and shall not be immune to ethics. The basic principle of company form of business segregates ownership from management. Thus, a relationship of trust is evident between the two. The stakeholders are the owners and the directors governing the company are the management. The former include the customers, suppliers, creditors, government, employees, shareholders and the community in which the business organization exists. The objective of business is to promote its growth with fairness and truth. Whom it should be fair and truthful to ? To the stakeholders. It is the job of Company Law to ensure that in a most systematic manner.

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In the context of the foregoing discussion, let us look into the ideal goal of corporate 'Management' in India. "The goal of Indian ethos is to create a complete man, a complete individual who can combine the executive dynamism and acute rationalism of administration with the deep rooted respect for the innate divinity " of the people working with him in the organization, "and the holistic values of life", writes Swamy Jitatmananda in his book entitled "*Indian Ethos for Management*". There are four factors on which the Total Quality Management (T.Q.M) or Zero-Defect Management is based, viz. MAN, MACHINE, METHODS and MATERIAL. The important question here is how to train 'Man — the biological being' to 'Man — the inspired leader'?

It has been found out that 1610 quadrillion sensory waves are generated in the human brain per second, and there are 200 million axons in the corpus colosum inside the brain which carry those sensory waves to the two halves of the brain, the left hemisphere being the active, aggressive, rational or masculine half and the right hemisphere being the intuitive, mystic or feminine half. In 1940s, a Neuro Surgeon William Wagner first successfully separated the two halves of the brain. Thereafter, in 1970, Michael Gazzaniga separated the brains of epileptic patients and studied their connections. Experiments continued and the scientists ultimately discovered "two separate functioning minds in one brain". It has now been established that the right side of the brain possesses conscious properties independent of the left. The right brain has more holistic knowledge and deeper vision than the left brain which only calculates and rationalizes on the immediate reality. The left brain culture helps us to attain external excellence through logic, analysis and action-drive. The right brain culture brings internal excellence through intuition and inculcation of higher human behaviour. These two modes of human consciousness have been described by Chinese thinkers as the YAN or Masculine aspects, active, rational, competitive, and the YIN or Feminine aspects, intuitive, cooperative, emotional and the mystical aspects of our minds.

The cultural crisis which overcasts the social firmament today is due to an intense imbalance between the two modes of consciousness because of a purely left-brain oriented education and training; this has produced 'economic animals', as defined by Alvin Toffler, who are ever busy in making personal wealth at any cost at the expense of others.

At this stage, let me point out a very simplified definition of 'ethics', namely, anything done for the benefit or advantage or gain of one's own self at the cost or expense or disadvantage of others is 'unethical' and, anything done for the benefit or advantage or gain of others at one's own cost, disadvantage or expense is 'ethical'. In terms of this 'golden test', all attempts of the so-called economic animals are unethical.

The report on 'Education to be' published by UNESCO in 1982 says that even biologically human beings are unfinished products. In ordinary man, only 25% of the brain matter is utilized, while extra-ordinary geniuses can utilize the whole of their brain. "Homo Sapiens" must ultimately grow into "Homo Mysticus" through the process of education. Our ancient system of education was a process of making a complete man and gave birth to people like king Janaka, who was kingly outside, but sagely within, a "Rajarshi". "External excellence needs internal excellence for a successful and meaningful life," says Swamy Jitatmananda in his book referred to before.

The aforesaid report sums up the goal of today's education as an attempt to make a complete man, "the YAN having reached its climax retreats in favour of YIN" (Prof. Fritzof Capra). It says: "The physical, intellectual, emotional and ethical integration of the individual into a complete man is a broad definition of the fundamental aim of education."

The report, however, has not elaborated on what constitutes 'ethical integration'. Our scriptures have identified 'unity' as the basis of ethics. To know that I and my neighbour are one. Srimad Bhagavadgita says: "**He sees the rightest, who sees the self in all**". The physical, intellectual and emotional powers of human beings must be tempered with the ethical, moral, mystical and spiritual strength within all of us to make us complete men.

What we need today in governance of corporate entities is an attitudinal change in the people constituting the 'Management' of companies. Such change can only be brought about by educating them to develop their right-brain equally with their left-brain, so that ethical practices will no longer be required to be mandated upon by the Government for safeguarding the interest of the citizens of the country. Sarbanes Oxley or Clause 49 will lose their relevance in a society where external and internal excellence reinforce each other and produce complete men.