

Dr Rajesh Khajuria's
Inaugural Speech on
2nd National Conference on
Business Ethics and Corporate Governance
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At FGI Business Centre, Vadodara Gujarat INDIA

Ladies and Gentlemen

Welcome to the World of Ethics...

Granting that a director or business-person's ultimate objective is to make the **world better**, **how** is this best achieved?

A common view is that it is achieved by making as much money as possible! **Right or wrong?**

The best thing business-people can do for society is to be '**good business-people**', that is to say, to **maximize the company's profit**. The popular view is, they should stick to finance, marketing, HR and operations management, rather than **waste time with ethics!**

Yes, profit is the cornerstone of business organizations - but profit has **never** been the **only** measure to **acquire respect and reputation**.

The point is, in fact, to **win**; and **winning is judged in the eyes of customers, suppliers, employees and governments**, by **doing something you can be proud of**, and be **respected** for.

There is **symmetry of logic** in this. "**If companies provide real satisfaction to real customers – they will be profitable.**"

An **ethical company is more likely to build a good reputation**, which is **more likely to bring financial rewards** over the **long term**.

Improved business performance, profits, and economic progress come to those who effectively and efficiently foster and meet the reasonable expectations of their primary stakeholders –customers, employees, suppliers, investors, and the environment, as well as the owners and managers themselves.

There is a new phrase appearing in business language or "business speak." It is the concept of **Triple Bottom Line**, a concept that recognises that there are **three legs** to the measurement of a company's performance: **financial, social, and environmental**.

Put in a more **friendly** way, Triple Bottom Line is about "**People, Planet and Profits.**"

There is much support for the notion that the discipline of **responsible business conduct** contributes to improving business performance and expanding opportunities for growth.

Principal benefits coming to an **enterprise** that **implements business ethics** are:

- Enhanced **reputation and goodwill**
- Reduced risks
- Reduced costs
- Protection from unethical employees and agents
- Enhanced performance, productivity, and competitive position
- Expanded access to capital, credit, and foreign investment
- Increased profits and sustained long-term growth, **and**
- Increased **international respect**.

As a result of **ongoing global dialogue** between various corporate bodies, institutions and countries, a **body of standards** and **expectations** for **responsible business** has emerged. These standards address a number of **areas of concern**:

- Business conduct, including fair competition
- Community relations, including political involvement
- **Corporate Governance**
- Environmental protection
- Human rights
- Marketplace relations
- Workplace relations
- Accountability
- Reporting standards and so on.

While all corporate entities in theory are directly influenced by **personal morality and ethics**, in practice there is often a **gap** between the **behaviour** of individuals **within** the working environment and **outside** it. This, **you may agree**, is **one** of the **major factors** leading to **mistrust** of **big businesses**, where **separation of ownership and management** is evident.

As the **famous saying** goes, the '**fish rots from the head**', so this requires complete **commitment from the board** not only to the **principles of business ethics** but to the **measurement** and **benchmarking** of ethical performance, which is **through corporate governance**.

The OECD Principles of Corporate Governance state:

"Corporate governance involves a set of **relationships** between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the **structure** through which the **objectives** of the company are set, and the **means** of attaining those objectives and **monitoring** performance are determined."

Good corporate governance consists of a **system of structuring, operating and controlling a company** to achieve-

- A **culture** based on a **foundation** of sound **business ethics**
- Fulfilling the **long-term strategic goal** of the owners while taking into account the **expectations** of all the **key stakeholders**.
- Consider and **care** for the interests of **employees**, past, present and future
- Work to maintain excellent **relations** with both customers and suppliers
- Take account of the needs of the **environment** and the **local community, and**
- Maintaining proper **compliance** with all the applicable legal and **regulatory requirements** under which the company is carrying out its activities.

I must highlight a Poll on Corporate Governance by KPMG conducted in 2009

"From a regulatory framework point of view, India compares favourably with most other developing and Asian economies, as far as its corporate governance rules are concerned."

Corporate governance concerns

- **35%** of respondents consider **weak oversight and monitoring** as the **biggest risk to corporate governance**, while 21% perceive management override as a greater risk

Priorities and practices of boards need to be revisited

- **Over two-thirds** of the respondents were generally of the view that there is **scope for improvement** when it comes to **board members** having the **right information** and **enough time** to discharge their duties

- **73%** of the respondents believe that risk management practices need to be improved

Factors to improve and enforce corporate governance

- Most respondents believe that while steps at introducing the **code of conduct** and **whistle blower policy** have been introduced, there exists a **significant need to enhance integrity and ethical values** in the larger eco-system
- **72%** of the respondents believe it is necessary for an **independent and transparent process** to evaluate performance of **board members**

- **47%** feel that the effectiveness of corporate governance should be monitored through **audits by corporate governance specialists**.

How to ensure Ethical Behaviour?

We need to remember just five words in Gujarati or Hindi:

- **Anachar (Inaction)**
 - **Atyachar (Excesses)**
 - **Durachar (Bad Behaviour / Action)**
 - **Hinsachar (Violence)**
- And,**
- **Sadachar (Good Behaviour / Action towards others).**
 - **This is Ethical Behaviour**

Good Behaviour or Action is the result of good Speech.

Good Speech comes from Good Thoughts.

Therefore, think good to speak good to behave good to do good.

My recent article on '**Jaina Ethics and Management**' published in **SANKALPA: Journal of Management & Research** in your hand throws light on **how** Jaina Ethics are **practical and useful** in **bringing ethics back** to business and life.

This is the **essence** of **Business Ethics and Corporate Governance**.

Finally, I believe a well-run organisation must be structured in such a way that all the above requirements are catered to and can be **seen** to be operating effectively by all the interest groups concerned.

Therefore, our CKSV Institute of Management is working on developing **Ethical Framework for better business and corporate Governance**, as a part of research and studies, which I hope will be of tremendous value to corporate directors and managers as well as students.

We also have a plan to set up a '**Centre for Studies in Business Ethics and Corporate Governance**' with support from **Gujarat Technological University** and possibly **Federation of Gujarat Industries**, the three **great institutions**, I am fortunate to be working with.

Let us hope to create an ethical and better managed world.

Thank you.