

CIB on wings



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Initiatives of Change
Caux Initiatives for Business

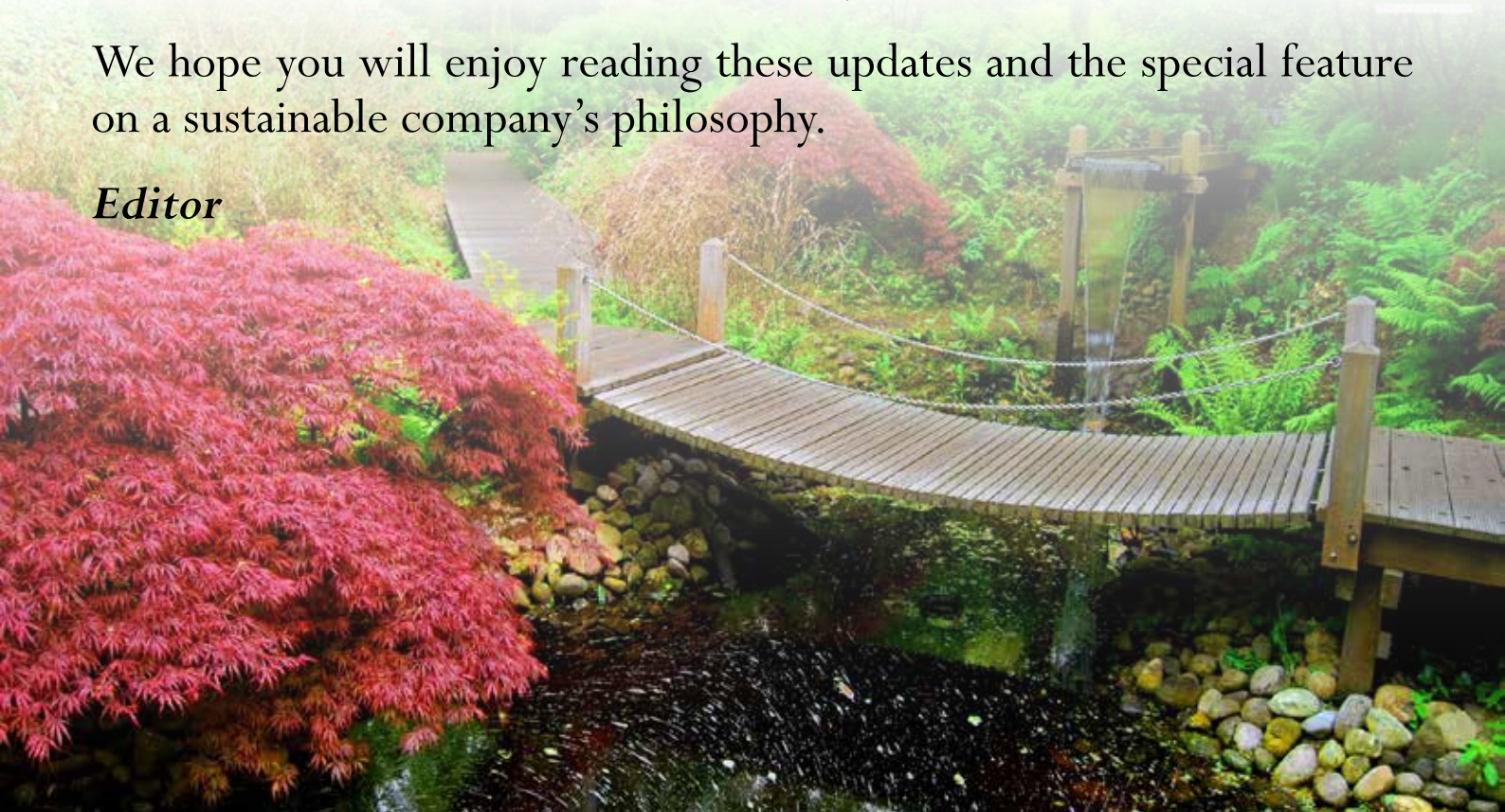
Dear Readers,

Caux Initiatives for Business' aim has always been to encourage persons from business and industry to explore the secrets of a sustainable business. Almost all events planned by CIB focus on sustainability. It therefore brings us great pleasure to carry a brief write-up of a successful Japanese businessman who has shown by example what it is to conduct a competitive, profitable business without losing focus of its responsibilities. In Konosuke Matsushita's own words when he gathered his employees together to share with them the company's philosophy, business and society he said, "... Only under such conditions will businesses and factories truly prosper."

A report of the CIB Mumbai Chapter's meeting and their intense debates on pertinent issues is another feature in this issue. Finally, we are also pleased to provide you with a brief peek into the discussions behind the scenes as a small team meets faithfully, month after month to plan for two major events in February 2018.

We hope you will enjoy reading these updates and the special feature on a sustainable company's philosophy.

Editor



Secrets to Sustainability

Examples from Konosuke Matsushita



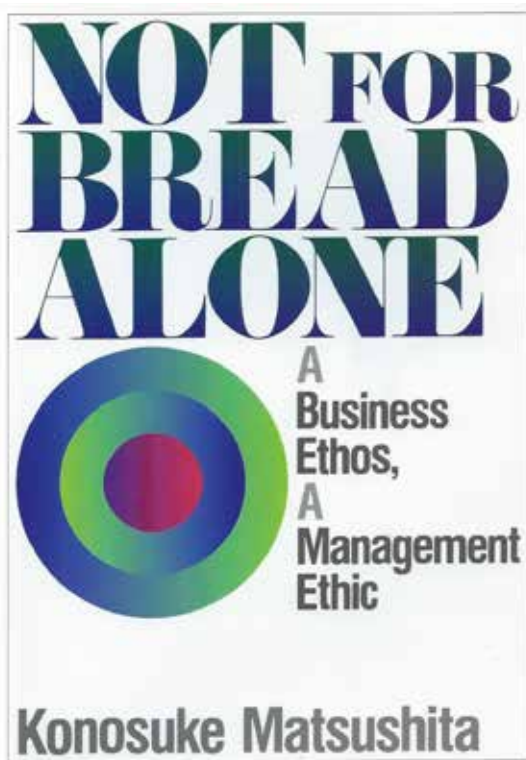
Konosuke Matsushita was the youngest of eight children of a farmer in an agricultural region south east of Osaka, Japan. Undeterred by chronic illness and meagre funds, he started his business in a single rented room. He went on to build one of the biggest and most respected electrical appliance firms in the world. His philosophy of business is idealistic, and it is inspired by an almost religious sense of mission. It centers on people, on his earthy, realistic understanding of human nature. This combination gives his comments on business a vital immediacy.

Not for Bread Alone offers the serious businessman valuable hints, some of them so common-sensical as to be unorthodox, on conducting himself and guiding his company to prosperity, as well as maintaining personal balance and integrity in the process. Below are extracts from the Preface and Introduction of this book.

Eighty years have passed since I left my hometown and became an apprentice at the age of nine. Throughout these years my life has centered around business. I have watched the world change profoundly and rapidly, and through it all, have accumulated a great deal of experience in the field of business. My experiences have convinced me that no matter how confusing or chaotic the world may become, one can always improve his management techniques and make his business prosper. The present age is called a time of “upheaval” or of “transition”, and very complex problems continue to plague business and management,

but I believe there are an unlimited number of ways for coping with those problems. In order to identify the right method and know the proper timing for dealing with particular problems, a person must gain a firm grasp of the essentials of business and the secrets of successful management, and he must devote himself wholeheartedly to his work. If he is truly sincere and conscientious, he will survive recession or any other difficulty that may come his way, and make trying times into the building blocks for new growth.

It goes without saying that the management of business is complex; there is always more to learn, no matter how many years one works in it. Yet in a way, management is also quite simple. If you grant that a business exists because it is necessary to society—because it responds to people’s needs—the basic rule of management is self-evident: learn what the people want and respond accordingly. Of course, one must be conscientious in his efforts to serve the people and do his best to satisfy them. I have made this my basic principle since I founded Matsushita Electric more than sixty years ago.



Konosuke Matsushita’s inventiveness was matched by his flair for entrepreneurship. In the bleak years following World War I, for example, when credit was tight and most companies were retrenching, Matsushita decided to build a new factory. This bold step served to motivate and inspire his employees, resulting in unexpected growth in production. This was a case of what Matsushita calls “positive management” but he was especially innovative in his management strategy. In 1925, he registered the brand name “National” and two years later put on the

market his first product under that brand, a square, battery-powered flashlight. Confident of its utility, Matsushita used an original marketing technique whereby he first distributed 10,000 free sample units to

retail stores. This novel approach not only succeeded, but established the National reputation for quality. (Today Matsushita Electric products are also known by the names Panasonic, Technics and Qyasar.)

Konosuke Matsushita later recounted how he hit upon the name National, as follows:

I was looking for a suitable name for the flashlight, and I had about ten or twenty possibilities, but none really seemed right. Then one day, I happened to spot the word “international” in the newspaper. Somehow it struck the right chord. I didn’t know any English, however, and at first I thought perhaps it was connected with the Russian Revolution or something. Looking it up and finding out what it meant, I also learned the word “national” meaning “of or relating to a nation or people.” There, I thought, I’ve got it; the meaning is right, in fact and in name. It represents something of the people.



In those days, large, well-established companies considered brand names other than their own unnecessary in selling their products. Matsushita was ahead of his times. He was convinced that he had an economical

and convenient product in his flashlight, and he was confident that it would become a household necessity. That conviction led him to go ahead and put it into mass production and strive to make it a popular manufactured item, even during a recession. His efforts paid off and demand grew quickly enough that the price was reduced several times;

in no time the National flashlight had indeed become a household item. Matsushita says that he learned the trick of broadening demand through mass production and reducing the price from reading the biography of the American pioneer in automobile production, Henry Ford.

He wrote,

Henry Ford's approach was aggressive and creative, but it was also geared to the needs of society. Of course he wanted to profit by his enterprise, but he realized that the real profits, for himself and others, would depend on how thoroughly his product became a part of the lives of ordinary people, and how well it served the national livelihood. That is why he was able to continue reducing the price of his automobile, allowing more and more people to own one, and gradually expand his enterprise... He provided the means for the rapid development and popularization of the automobile.



*National Logo of
Taiwan Matsushita Electric*

Matsushita Electric's enterprise expanded to include wiring fixtures, bicycle lamps, electric heating devices, radios, dry-cell batteries, and many others. Each new product soon began to reach the mass market, reaffirming Matsushita's view that responsibility to society was the core of sound business procedures.

On May 5, 1932 he called all his employees together and spoke to them about his philosophy of business:

The mission of a manufacturer is to overcome poverty, to relieve society as a whole from the misery of poverty and bring it wealth. Business and production are not meant simply to enrich the shops or the factories of the enterprise concerned, but all of society. And society needs the dynamism and vitality of business

and industry to generate its wealth. Only under such conditions will businesses and factories truly prosper. ... The real mission of Matsushita Electric is to produce an inexhaustible supply of goods, thus creating peace and prosperity throughout the land.

Matsushita did not stop at simply announcing his mission; he declared the next two and a half centuries to be the period during which that mission was to be accomplished, and divided that 250 years into ten, twenty-five-year phases. He called the first ten years of each phase the period of construction, the second decade a period of application, and the final five years a period of “fulfillment”. He reminded his listeners that day that this first twenty-five year phase coincided with their own careers.

...He realised that the real profits for himself and others, would depend on how thoroughly his product became a part of the lives of ordinary people, and how well it served the national livelihood.

He also announced that May 5, 1932 would thereafter be celebrated as the most memorable day for Matsushita Electric, since it represented the beginning of its corporate mission in society. Thus, even though the company was actually founded on March 7, 1918, each year it celebrates the anniversary of its founding on May 5. As of May 5, 1984, the company is in the third phase of its advance toward fulfillment of the collective mission.

Since 1932, the company has achieved remarkable maturity. Konosuke Matsushita has sought to strengthen the sense of mission among his staff and make that attitude a creative, permanent element in the company ethos. Believing that strong leadership is needed on a day-to-day basis, and in order to provide principles to guide daily activities and to encourage everyone in the company, he set forth the following code

in July 1933:

1. spirit of service through industry
2. spirit of fairness
3. spirit of harmony and cooperation
4. spirit of striving for progress
5. spirit of courtesy and humility
6. spirit of accord with natural laws
7. spirit of gratitude

(The last two points were added in August 1937.)

These seven principles remain today, as they have been since that time, the basic watchwords for the daily work of tens of thousands of Matsushita Electric employees.



CIB Mumbai Chapter Meeting

A Report

On February 11, 2017, ten members of the CIB Mumbai Chapter met to share news pertaining to ethical situations at the work place. This was then followed by a discussion on “Ethics beyond Compliance”.

The meeting started with S. Venkatesh reading the following news related to compliance and ethics: “CCI imposes penalty on bidders for cartelisation in tenders of Indian Railways”.

Unethical Practices by companies:

The Competition Commission of India (CCI) has imposed penalties on three firms for bid rigging of tenders floated by Indian Railways for procurement of Brushless DC fans in the year 2013.



A final order has been passed by CCI in a case taken up suo moto under Section 19 of the Competition Act, 2002 (‘the Act’) based on the information received from Central Bureau of Investigation, New Delhi.

CCI has held that the firms had shared the market by way of allocation of tenders of Indian Railways for Brushless DC fans amongst themselves under an agreement/arrangement and indulged in bid

rigging/collusive bidding in contravention of the provisions of Section 3(3)(c) and 3(3)(d) read with Section 3(1) of the Act. The anti-competitive conduct of the firms has been established based on exchange of rates to be quoted in upcoming tenders amongst the errant firms, numerous calls amongst the key persons of these firms before and during the period of the tenders and admission by one of the firms which confirmed and revealed the existence and modus operandi of the cartel.

Penalties Imposed:



Accordingly, a penalty of Rs. 2.09 crores, Rs. 62.37 lakhs and Rs. 20.01 lakhs and was imposed on the firms M/s Western Electric and Trading Company, M/s Pyramid Electronics and M/s R. Kanwar Electricals respectively in terms of proviso to Section 27 (b) of the Act. While imposing penalty, Commission took into consideration all the relevant factors including the duration of the cartel, volume of the tender affected by the cartel and value thereof and decided to impose

penalty on M/s Pyramid Electronics and M/s Western Electric and Trading Company calculated at 1.0 time of their profit respectively in the year 2012-13 and on M/s R. Kanwar Electricals at the rate of 3 percent of its turnover for the year 2012-13.

Additionally, considering the totality of facts and circumstances of the case, penalty was also imposed on persons-in charge of the three firms i.e., Shri Sandeep Goyal of M/s Pyramid Electronics, Shri Ashish Jain of M/s R. Kanwar Electricals and Shri Ramesh Parchani of M/s Western Electric and Trading Company at the rate of 10

percent of the average of their income for the last three preceding financial years.

Positive Step towards Ethical Workplace:



CCI had received an application under Section 46 of the Act read with Regulation 5 of the Competition Commission of India (Lesser Penalty) Regulations, 2009 from M/s Pyramid Electronics. This application was received when the investigation in the matter was in progress and the report from the DG was pending.

Considering the co-operation extended by M/s Pyramid Electronics in conjunction with the value addition provided by it in establishing the existence of cartel and the stage at which

it had approached CCI, it was granted 75 percent reduction in the penalty than would otherwise have been imposed, had it not cooperated with the Commission. Accordingly, the penalty imposed on M/s Pyramid Electronics was reduced to Rs. 15.59 lakhs and penalty imposed on Sandeep Goyal was reduced to Rs. 11,648 only.

After this, the Mumbai Chapter had a group discussion on “Ethics beyond Compliance”. The key questions debated were:

1. Is it good enough to follow rules in order to be considered ethical?
2. Are there circumstances under which we may have to break a few minor rules in order to be ethical?

Responses to these questions were varied. These are listed below.

- Many companies had well defined rules and regulations however, few of them had a truly ethical framework.
- Many companies had a “Code of Conduct”, very few companies had a “Code of Ethics”
- One member shared a video on lessons from Mahabharata. In Mahabharata, Lord Krishna broke almost every rule – however, he was completely ethical. Whereas Duryodhana followed all the rules but was mainly unethical.
- Ethics was considered more important in critical areas like medical profession, pharmaceuticals, building bridges, etc. where there is a possibility of loss of life on account of unethical practices. There was an extensive discussion on the impact of unethical doctors. There was a reference to an episode of the Indian actor, Amir Khan’s TV episode titled, ‘Satyamev Jayate’, wherein various people had shared experiences about doctors taking about 50% of medical test fees for giving a referral.

After a detailed and active participation by all members, there was a consensus that rules needed to be followed in spirit. That is the primary reason why the rules were put in place. Merely following the rules where sometimes interpretation did not meet the objectives of the rules was not good enough.



CIB 2018 Events

Preparation and Planning



“You can do irrefutably impossible things with the right amount of planning and support from intelligent and hardworking people and pizza,” said Scott M. Gimple. Skip the pizza part and the small team that has been meeting regularly every month in preparation for the CIB events planned in February 2018 appear to identify with this quote.

Gathering together for their fourth meeting in as many months, eight members of CIB, most of whom are CEO’s from business and industry, travelled from various parts of India to meet at the IofC flat at Kumaram on February 19, 2017.

Two aspects formed the agenda of this meeting; a conclave for CEO’s and the biennial international conference, both events planned at Asia Plateau, Panchgani between February 2 and 8, 2018.

First the team reviewed the program and design of the CEO's conclave and after tweaking it a bit, named the same, "Version 3". The main discussion on this aspect however revolved around the theme and sub-themes. Several topics were mooted. The challenge was evident. For one, it had to be in keeping with the objectives of CIB. For another, it needed to be something that would interest CEO's to spend a weekend on discussions at Panchgani. Thirdly, the topics had to be relevant to the challenges that business and industry were facing in today's volatile, disruptive, ever-changing situation; and lastly they had to be international in nature, rather than country-centric. The team not only made several suggestions but realized that given the complexities involved, more time would be required to finalize anything.

The agenda then shifted to the international conference. The team felt that no further change was required. The focus then shifted to Speakers for the various sessions involved. It was shared how important it was that proper representation from each CIB nation was reflected. The team was briefed on names that had been suggested and the status of the invitations sent.

It was decided to meet again on March 28, 2017, again at Mumbai. At the end of the meeting, the Chair also took the opportunity to thank Dr. and Mrs. Anand for their generosity, care and sumptuous lunch and tea.

