

ICB on wings



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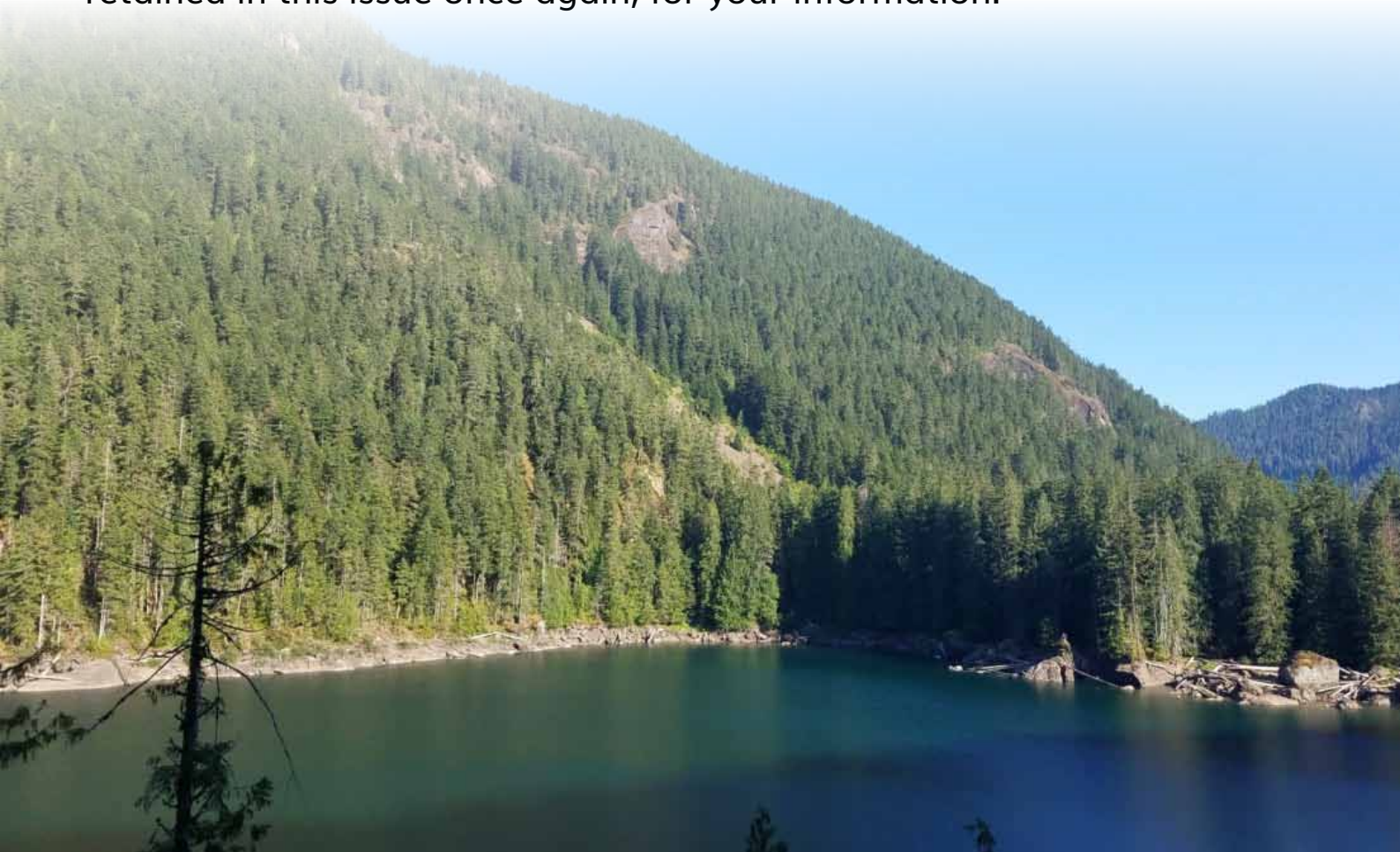
 **Initiatives of Change**
for Business

Editorial

At the CEO Conclave held in April 2019, apart from the three Round Table deliberations, the reports of which have already been shared with you in past issues, there were two interactive sessions where participating CEOs could listen and quiz other senior leaders on various perplexing issues. One such session was with Pradeep Bhargava, Independent Director of Persistent Systems and the current President of Maharashtra Chamber of Commerce, Industries and Agriculture (MCCIA). We are sharing with you a report of his session in the ensuing pages.

S. Venkatesh, Head — Risk and Internal Control, Siemens Ltd., and a member of the ICB fraternity, has shared with us an interesting collation of responses that he received when he asked colleagues from other companies a pertinent question. We believe that you will find this interesting too.

Other updates, including the upcoming international events, have been retained in this issue once again, for your information.



Joys of Responsible Growth

One of the sessions at the CEO Conclave held at Panchgani from 12 to 14 April 2019 was called *Joys of Responsible Growth*. This was an interactive session with Pradeep Bhargava, Independent Director at Persistent Systems since 2012.

Shishir Joshipura, MD and CEO, Praj Industries Ltd., the Co-Chair of this Conclave began by asking Bhargava why he titled his session so. Bhargava replied in his usual humorous way by saying that he would first like to increase the joy of the audience because firstly, he had a cold and therefore would not take up too much time. Secondly, he had not prepared a PowerPoint which again would come as a relief to his listeners. The third point was that his wife was sitting in the audience and no sensible husband would dare to speak too much in front of his wife. On this humorous note the interactive session began.

Bhargava went on to explain the importance of the word Joy. He said joy would indicate the promotions, increments, etc. that are associated with a job. However, for him it also meant the *joy of giving*. He spoke about the time when, in any industry, people spoke about either quantity or quality but never both. But in today's industrial world those myths have been broken. Today, all companies are perfectly delivering quality and quantity at the same time. The other myth that prevailed was if one needed answers he would do so by *any means necessary*. A person's integrity and the ability to deliver results were never used in the same sentence. In the present industrial world, again, this myth has been broken. The third myth that Bhargava spoke about was that people believed *Vikas* (development) leads to *Vinash* (destruction) to the environment. The present day scenario has again broken these previous beliefs. Almost all companies now have environment high up on their priority list. Therefore, development and environment to a great extent

are simultaneously coexisting. The fact that all these parameters can coexist is the JOY that the speaker was referring to at the session. It is a sustainable joy that keeps him going along with most others. Otherwise there is no difference between a human being and a robot he adds.

He went on to illustrate his point with an incident from his life. Bhargava spoke about the power project that was earlier mentioned. 30 companies made a difference in the lives of almost 30 lakh (three million) people residing in Pune. The city was known to have Thursdays as a designated power-cut day. Bhargava thought of changing the situation. He thought that since every industry has a Diesel Generator set, why not collectively harness this power and sell it to the state electricity board for distribution? This way the problem of power shortage in Pune could be solved. His thoughts were brought to action and the city of Pune still enjoys the benefit.

30 companies made a difference in the lives of almost three million people residing in Pune.

Another incident took place when he was checking into a hotel in Bangalore and the receptionist thanked him. He was wondering what she was thanking him for. On asking she said that she was thanking him for making a difference in her life. This left Pradeep Bhargava even more puzzled. She clarified that she was part of the Symbiosis Confederation of Indian Industry (CII) program for developing soft-skills and thousands of children from the Scheduled Caste and Scheduled Tribes took part. Out of that group 60 children were chosen to undergo further training. This young woman mentioned that it had always been her aspiration to do something in her life and it was only because of that opportunity she was able to fulfill her dreams and aspirations. Bhargava exclaimed that

when she spoke about it, *that* was a moment of immense joy for him. That joy for him had much more value than the joy one would experience on receiving an increment or a bonus. He added that all increments and bonuses go to the wives anyway.



Pradeep Bhargava explains a point as Shishir Joshipura looks on

Shishir Joshipura then asked Bhargava about the basic nature of human beings which is considered to be good; yet the behavior that shows itself is sometimes questionable.

Bhargava said that it is up to an individual to choose the 'AND' situation instead of the 'OR' situation. Going in for only performance and achieving results is easy. However, one must start with oneself and convince oneself that he will opt for the 'AND' situation. Secondly, in the industrial world entrepreneurs do not have much choice as they are in their own business. However, *karmacharis* (employees) like himself always have the choice of joining a different company if they choose to do so.

Bhargava mentioned about a company where he had worked for three

years. This company's predominant, or only belief was that the stakeholder was the shareholder. It was the only stakeholder they were bothered about. The younger employees were doing well in that environment. However, Bhargava chose to move on. This according to him was the easier part. The more difficult situation would have been to get along with his superiors, colleagues, juniors, etc. He says no human being in their heart of hearts would like to hurt the environment or their surroundings or people living around the factories. No one does it intentionally. But if it involves an extra cost one just has to do it. His advice to the fellow CEOs was that no matter who one has to report to in the job, at the end of the day each person has to report to one's own conscience.

The next question posed to Pradeep Bhargava was, who the most important stakeholder is. Is it the shareholder, the employee, the supplier or the customer? No one can ever say that the customer is not important. Any person would consider all the above as equally important yet sometimes situations are tough.

*Who is the most important stakeholder?
Is it the shareholder, the employee, the
supplier or the customer?*

Bhargava mentioned this was a situation that happens in each of our family lives and our social lives. However, one lands up with contradictions where the finite resource is fighting for multiple benefits. In such a situation the idealist would be ready to incur losses. The other extreme would however be to not care about anything else. Such a person would be non-compliant and looking for shortcuts. Bhargava said that he had undergone similar situations multiple times. He said that during tough times one may also see the need to become a bit of a bully in order to do the right thing. He added, 'People might not like you for being a bully, especially the boss,

but eventually you would have done the right thing.'

Shishir Joshipura went on to ask Bhargava about the time when he, like most people, once started at the base of the pyramid. Since then he has been involved with many educational institutes of prominence. Does he feel it is necessary for the journey to begin there?

Pradeep Bhargava shared his personal association with academics. Now, when he is invited to an institution to talk to the students, he insists that he spends time with the faculty instead. It is actually the faculty that needs to be tuned around with the various aspects of values, ethics, environment and society and how in general they look at things. In the current scenario even educational institutes are acknowledging sustainability. Today a child learns from the institute as well as from the outside world. Therefore, if that environment gets polluted, with high peer pressure, it sets up the wrong aspirations. If, for example, the teacher says that one must always remain ethical, while on the other hand, a friend or colleague is doing very well by other means, one is under pressure to



do the same. In such situations one begins to take shortcuts to achieve goals. Bhargava feels that moral science lessons that were taught during his school days need to be part of the curriculum even for present MBA students. The education systems in today's world need to give weightage to values and ethics. Skill-sets may get obsolete or more advanced but values and morals remains with the person forever. It is more important to make the children value-oriented. In all companies today they put up the names of employees giving high performance, achieving high sales targets on the notice boards. But giving awards for showing care, being ethical, standing up for one's values is never done. Companies should start doing this. Social media is another means that is usurping everything that parents or teachers or managers have to say.

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India is a growing economy. Companies get themselves listed on the IPO (Initial Public Offering). At this juncture it becomes difficult for an individual to differentiate himself between the two scenarios: 'this is MY company' and 'This Company BELONGS to ME'. How can one balance things out in this situation? It is a well-known fact that the value of a company's share is because of the fact that somebody *outside* is holding it than the other 60% that the owner is holding.

Bhargava gives the classic example of the Tata's who have never considered themselves as the owners but the custodians of the company. He says it is fine to use the term 'my company' as long as the person is managing it by himself. However, when it expands or becomes a multinational one cannot use the same term. A *jagirdar* (official looking after land owned by someone) unfortunately still thinks it's his *jageer* (land). So a company which used to be smaller brings in shareholders like banks and other

money lenders in order to become a multinational. On becoming so, the owner cannot still continue to feel like the sole owner of the business as now there are others who are part of it.

Industry must be ready to accept the fact that they might also be wrong. That itself would be the key to solving a lot of the problems.

Shishir Joshipura asked for Bhargava's opinion about the current trend where it is believed that there are sick industries but the industrialists are worse. What changes would he recommend for this trend?

Pradeep Bhargava took pride in telling the audience about the two most wonderful and beneficial steps taken by the present government — the IBC (Insolvency and Bankruptcy Code) and the *Benami* (fictitious ownership) Act. As a result of this, companies today cannot fool the government or the citizens. These steps have also made the *Jagirdar* realize that the *Jageer* is no longer theirs. Up until now, the industries were only interested in blaming the government for the problems. It is only now that we see that industries have started to broaden the horizons and see how some industries are responsible for a lot of the problems. Bhargava says it takes two to make a transaction. So in a lot of ways industry may also be responsible. He says, 'Industry must be ready to accept the fact that they might also be wrong. That itself would be the key to solving a lot of the problems.'

The next question posed was, 'How does one make sure that it is not the law that drives the behavior but the behavior that drives the law?'

'In matured, well-balanced societies,' said Bhargava, 'laws and the enforcement of those laws would not have been necessary. But the reality remains that it does not happen that way. A lot of companies even to

the present day do not give the minimum wages that the employees are entitled to. Many organizations are not compliant. Therefore, it is important to have the laws and more importantly to strictly enforce them. However, sometimes even the law abiding citizens have to face a problem.'

Bhargava has often come across industrialists of the older generation who say they have not followed all the norms but their next generation is willing to do so. The next generation is focusing more on being ethical in their practices. This in itself is a remarkable shift of mind-set and ideology. E-governance also has a very significant role to play in today's situation. Bhargava is hopeful that the present generation will bring about a new ray of hope into the industrial world. Goods and Services Tax (GST) is also one of the best laws that have come in.

The floor was then open for the audience to ask questions to Pradeep Bhargava.

'At the management-student level, 99% of the cases end up with profit maximization. If the equation is only profit maximization, then there is a paradox of this whole situation of ethics and morals that we talked about.' This question was asked by one of the participants.

To answer the question Bhargava said that in the past 10 years, ethics and governance, Corporate Social Responsibility (CSR), etc. have all become an integral part of the Post Graduate Programme (PGP) 1 and 2. He says even in his own training days he was taught profit maximization. However, he says there is a difference in being compliant and being ethical. So a person would be compliant to the organization but may have used unethical means in order to achieve profit maximization. One cannot pretend beyond a point that ethics is not important. When a person is an employee he cannot say that profit maximization is his only goal. Therefore, there is a huge distortion of our profit maximization, case studies, market shares, etc. However, over the last 10 years there has been a shift in ways and people are considering the replacement of

'Earnings Per Share' by 'Ethics Per Share' of a company.

A participant added that the social media or media in general should highlight role models more often to the younger generation.

Bhargava agreed with the participant but also added that it is in our own hands to act within our circle of influence. We do have the power to make a difference in our circle of influence and encourage people who are ethical and in turn encourage other employees to follow the same path. Similarly, one can applaud the suppliers for their impeccable work and thus encourage them to do even better.

A participant shared that her 15-year old daughter participated in a course called, 'Ethical decision making'. On returning, the daughter was asked about the course. The young girl expressed surprise as to why such a course was needed. 'This is something taught to each one of us at home; by parents or teachers. One need not have to study it as part of a course.' To this, Bhargava added that for humans the default setting is ethical. However, we choose to conduct ourselves differently at times.



Ethics and Enterprise Risk Management

At a meeting held recently, S. Venkatesh, Head — Risk and Internal Control, Siemens Ltd., asked his counterparts in the business fraternity a pointed question. Below is a collation of responses he received.

'Lack of Ethical Leadership is an Enterprise Risk because.....'

Opportunism comes with a huge exit-load.

It impacts the culture of the organisation and will have more adverse effects.

If law-keepers become law-breakers, there is no future for that enterprise.

The enterprise then will not be operating with the larger domain of society. And no corporate can operate outside the domain of a stable society (governance).

Because it leads to unethical practice; and camouflaging these practices to take undue advantage and profiteering would lead to poor corporate governance and reputational risk.

Everything starts from the TOP.

Finally, the senior leaders are the risk owners of all the RISKS. Lack of ethical leadership will become an existential risk for the organisation.

This could act as a role model for its employees. It is very important to get active employee-engagement for the company's growth. When there is lack of ethical leadership, there is a risk of lack of wholehearted support of employees to the leadership in achieving its strategic and operational goals.

It affects the very core necessary for survival of an enterprise (ethical behaviour).

Ethics is the underlining pillar of everything the enterprise stands for and this constitutes the culture of the organization. It sets the tone and determines the moral compass.

A rot at the top spreads faster down the organisation and consumes it, than a rot at the root.

A wrong example set at the top becomes right as it trickles down thus making it the acceptable organizational culture over a period of time.

One should not expect fruits of success from unethical seeds.

Apart from organisational risks, it could also lead to financial, reputational, and other such risks for the eco-system in which it operates — stakeholders, business partners, etc.

Unethically-led enterprises can't survive the cost of ethics/governance failure.

Ethics is like an umbilical cord between leadership and enterprise. Through this cord, the character of the enterprise is defined. It is the very reason for its existence. Hence lack of ethical leadership is an enterprise risk.

Values creates and absence of it destroys.

When the ethics is a gone concern, then the enterprise fails to stay as a going concern.

It's like food without salt.

If you miss the basic ingredient the entire taste is off.

It is like a car without an axle. It simply will not work.

Though there could be many routes, the result is always dead-end and game-over.

May be very dramatic, but that's what is happening in the form of disruption.

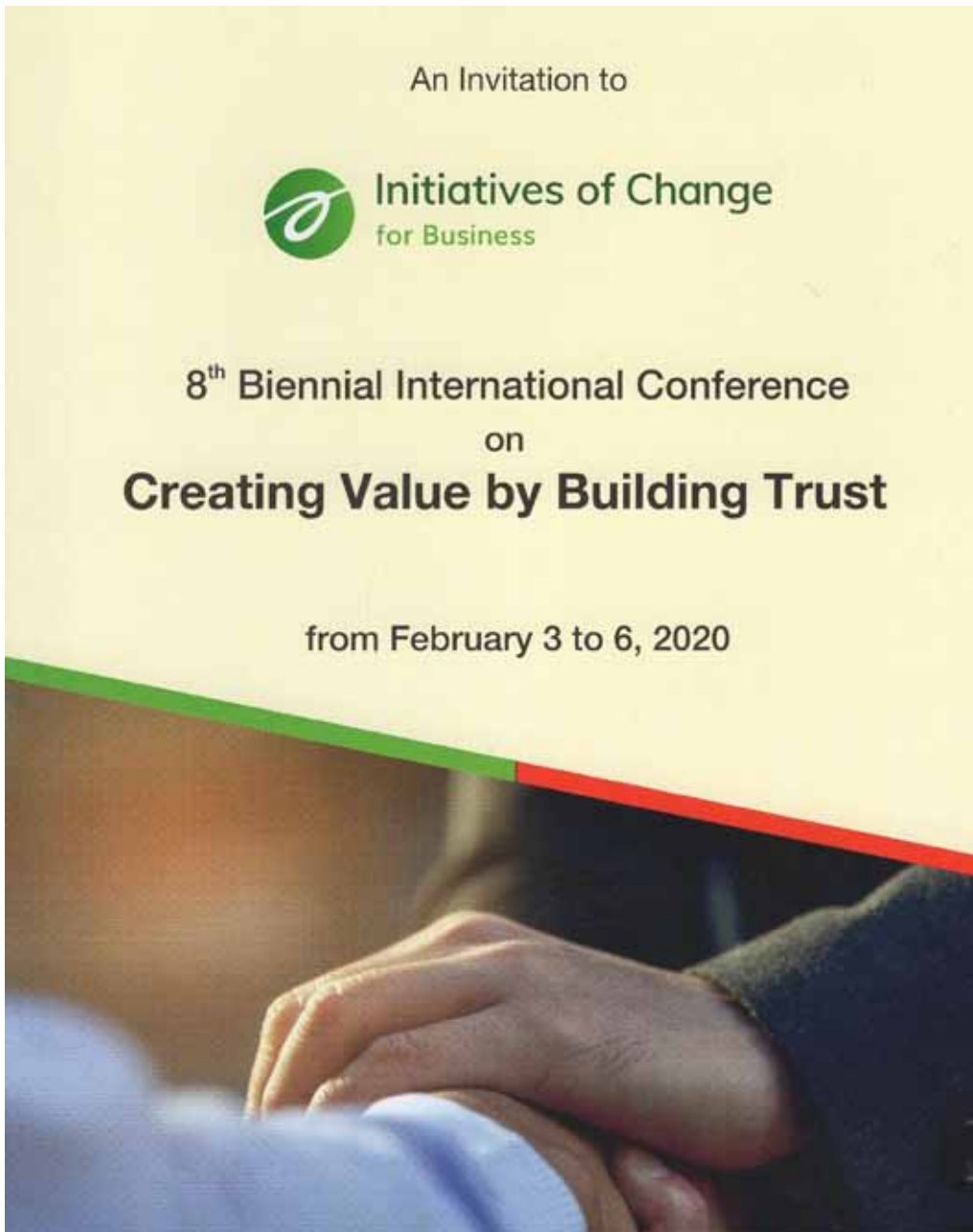
Every possible risk is getting changed beyond what one can comprehend.

Business cannot thrive. Operations will suffer in a corrupt, fraudulent, collusive or coercive environment, posing risk to sustenance.

Because ethics is the foundation of any enterprise. No ethics, no foundation, no enterprise.

Lack of right culture embedded in the enterprise's process, people and systems would enhance strategic and execution risk for the entity.

Upcoming Event



Initiatives of Change for Business (ICB) is holding its 8th Biennial International Conference at Panchgani, India from Monday, 3 February to Thursday, 6 February 2020.

The theme of the conference is, 'Creating Value by Building Trust'.

Plenary sessions with eminent speakers from several countries

on the panel and Round Table deliberations on creating value and building trust with suppliers, customers and employees, make up the broad design of the event.

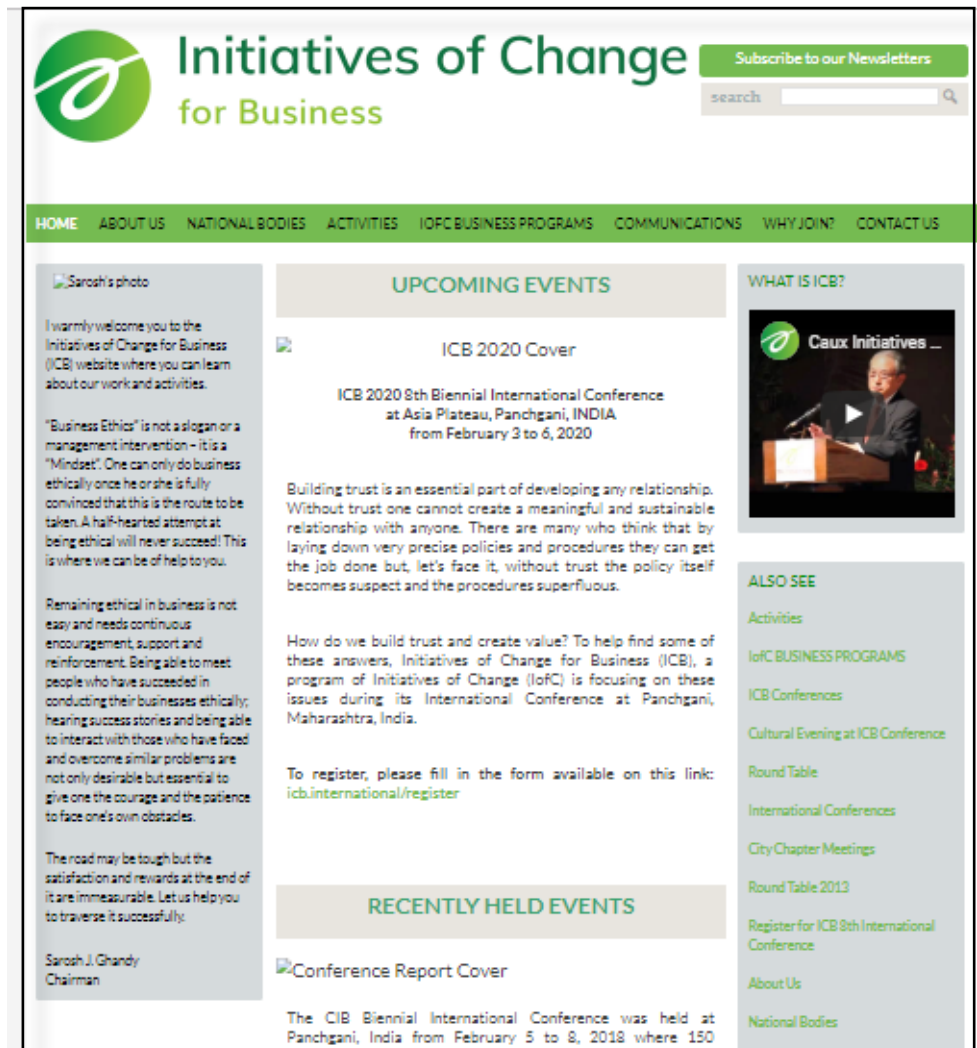
Details on the conference is available on our website: www.icb.international.

You could fill in your online registration form on: www.icb.international/register.

Our New Address

Following the decision in August 2018 to revise the name from Caux Initiatives for Business (CIB) to Initiatives of Change for Business (ICB), it naturally required making a few changes, especially with our website, email addresses and other stationery. That step was taken last month.

We are therefore happy to share with you our new addresses, both website and Email, and would be grateful if you could update your address book to incorporate the same.



The screenshot shows the homepage of the Initiatives of Change for Business website. The header features the organization's logo and name, a search bar, and a newsletter subscription link. The main navigation menu includes links for Home, About Us, National Bodies, Activities, IOFC Business Programs, Communications, Why Join?, and Contact Us. The content area is divided into three columns. The left column features a welcome message from Sarosh J. Ghandy, Chairman, discussing business ethics and trust. The middle column highlights an upcoming event: the ICB 2020 Cover, which is the 8th Biennial International Conference at Asia Plateau, Panchgani, India, from February 3 to 6, 2020. The right column provides information about the organization and lists other resources under 'ALSO SEE', including activities, business programs, conferences, and national bodies.

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