THE INSTITUTE OF
Company Secretaries of India
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament

NFCG National Foundation for Corporate Governance

PLANET, PEOPLE AND PROFIT THE NEW INTERNATIONAL PARADIGM FOR CORPORATE SUSTAINABILITY

THEME PAPER

5th INTERNATIONAL CONFERENCE
27th MAY 2010

ZURICH, SWITZERLAND

C O N T E N T S

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The New International Paradigm for Corporate Sustainability

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ABOUT THE CONFERENCE

Profits are a measure of efficiency and effectiveness. They are, no doubt, essential for the corporate to live on, grow on, and so on. Should the enrichment not come to the Planet and the People who support the life and growth of the corporate ? The Planet is nothing but the silent earth, air, water, light, fire, and the food that quenches the fire in the stomach. As the People are made up of these Planetary contributories, so are the corporates. This is because corporates are manned, operated by and run for the people within and without. Planet, People, and Profits thus represent the new corporate creed.

Planet, People and Profits are all in fact an integrated one of corporate achievement. One happens or gets nourishment because the other is sustained. They mutually draw sustenance and enrichment. When that is made to happen, corporate fulfillment is guaranteed. Good governance requires corporate longevity as a matter-of-course goal. In that measure, from the integrated Planet-People-Profit angle, the best corporate existence is thankfully yet to happen perhaps. But that opens vast doors and challenges to governance professionals like Company Secretaries, corporate leaders and directors. If the new paradigm is successfully implemented these governance professionals will prove that they are worth their salt. Challenges are vast, silent and inviting. It is up to the governance enthusiasts, how they respond. Obviously, they will respond positively. Together, they will make it happen.

This Conference is organized by the Institute of Company Secretaries of India (ICSI) in association with the National Foundation for Corporate Governance (NFCG). This Conference the continum of initiatives by ICSI and NFCG looks on the Planet, People and Profit as an integral part of corporate philosophy, growth and susstainability. By bringing together representatives of academics and business communities, company advisors, consultants and regulators, it aims at addressing the following themes:

- New International Paradigm for Corporate Sustainability
- Triple Bottom Line Approach - The People Focus
- New Corporate Governance in the Post Crisis World

Issues for deliberations at the Conference :

- Are Planet, People, Profit mere words or they signify a new integrated Corporate Philosophy ?
- How are the corporates Live and Grow ?
- How else would corporate Grow, if it is not with the support of Planet and People ?
- What are new developments in the area of corporate governance in post crisis world ?
- How to enhance international cooperation amongst governance professionals ?

Key deliverables will include :

- Formulation of a pro-active approach towards planet, people, profit as integral to corporate philosophy.
- Enhanced awareness on the different aspects of corporate governance
- Identification of the role of governance professionals in promoting planet and people focussed approach to corporate governance practices.

THE INSTITUTE OF COMPANY SECRETARIES OF INDIA

The Institute of Company Secretaries of India (ICSI) has been constituted under an Act of Parliament i.e., the Company Secretaries Act, 1980 to develop and regulate the profession of Company Secretaries. The ICSI functions under the administrative jurisdiction of Ministry of Corporate Affairs, Government of India.

The ICSI awards the designation of Company Secretary to a candidate qualifying for the membership of the Institute and exercises professional supervision.

The ICSI has on its rolls over 25,000 members including over 3,500 members holding Certificate of Practice and over 1,50,000 students pursuing the Company Secretaryship Course.

ICSI NATIONWIDE NETWORK

Head Office - New Delhi

Chapters - 68

Counsellors - 75

Examination Centres - 72

Regional Councils - Chennai, Kolkata, Mumbai, New Delhi

Centre for Corporate Governance Research & Training (CCGRT) - Navi Mumbai

COUNCIL OF THE INSTITUTE

In terms of Section 9 of the Company Secretaries Act, 1980 the affairs of the Institute are managed by the Council of the Institute consisting of fifteen elected members and five nominees of the Central Government.

BUILDING FUTURE PROFESSIONALS TO GUIDE CORPORATE INDIA

The ICSI conducts the Company Secretaryship examination to developing high level professionals specializing in corporate and securities laws, management and governance.

Stages of Company Secretaryship Course

The Company Secretaryship Course is conducted in three stages as under:

- *Foundation Programme* : Candidates who have passed Senior Secondary Examination (10+2) are eligible for admission to Foundation Programme.
- *Executive Programme* : Graduates in any stream excluding Fine Arts or candidates who have passed the Foundation Examination are eligible to join Executive Programme.
- *Professional Programme* : A registered student is admitted to the Professional Programme on passing the Executive Examination.

SYLLABUS

Foundation Programme

English and Business Communication

Economics and Statistics

Financial Accounting

Elements of Business Laws and Management

Executive Programme

Module I

General and Commercial Laws

Company Accounts, Cost and Management Accounting

Tax Laws

Module II

Company Law

Economic and Labour Laws

Securities Laws and Compliances

Professional Programme

Module I

Company Secretarial Pactice

Drafting, Appearances and Pleadings

Module II

Financial, Treasury and Forex Management

Corporate Restructuring and Insolvency

Module III

Strategic Management, Alliances and International Trade

Advanced Tax Laws and Practice

Module IV

Due Diligence and Corporate Compliance Management

Governance, Business Ethics and Sustainability

TRAINING

The candidates are also required to complete the following trainings :

- Seven days Student Induction Programme (SIP) within six months of registration to the Executive Programme
- 72 Hours Computer Training
- Eight days Executive Development Programme (EDP) after passing Executive Programme
- Fifteen months whole time training after passing Executive Programme
- Fifteen days training in a specialized agency such as Office of Registrar of Companies, stock exchange, commodity stock exchange, financial or banking institution or management consultancy firm, etc.
- Fifteen days Management Skills Orientation Programme (MSOP)

The Company Secretaryship Course is conducted through distance learning and supplemented by oral coaching as well as e-learning.

ASSOCIATE MEMBERSHIP

After successful completion of examination and training, a candidate is conferred with Associate Membership of the ICSI.

FELLOW MEMBERSHIP

A member of the Institute is entitled to get himself enrolled as a fellow, if he is an Associate Member for at least five years.

COMPANY SECRETARY – A LEAD PROFESSIONAL

A Company Secretary is defined under the Company Secretaries Act, 1980 to mean a person who is a member of ICSI.

Company Secretary in Employment

Section 383A of the Companies Act, 1956 requires every company with a paid-up share capital of rupees five crore or more to compulsorily appoint a whole-time Company Secretary who must be a member of the Institute of Company Secretaries of India.

A Company Secretary in Employment,

- acts as a vital link between the company and its Board of Directors, shareholders and other stakeholders and regulatory authorities
- plays a key role in ensuring that the Board procedures are followed and regularly reviewed

- provides the Board with guidance as to its duties, responsibilities and powers under various laws, rules and regulations
- acts as a compliance officer as well as an in-house legal counsel to advise the Board and the functional departments of the company on various corporate, securities, business, economic and tax laws
- is an important member of the corporate management team and acts as conscience seeker of the company

Company Secretary in Practice

The Company Secretaries Act, 1980 entitles a member of the Institute to practice whether in India or elsewhere only after obtaining from the Council of the Institute a Certificate of Practice. The Certificate of Practice is subject to renewal on annual basis.

CODE OF CONDUCT FOR MEMBERS

The members of the ICSI are subject to Code of Conduct provided under the Company Secretaries Act, 1980.

REGULATORY SUPERVISION

The Institute maintains strict regulatory supervision over its members both in employment and practice. The Institute issues Guidelines in accordance with the provisions of Company Secretaries Act, 1980. Some of the Guidelines issued by the Council in respect of Practising Company Secretaries are as under :-

- Guidelines for Compulsory Attendance of Professional Development Programmes
- Guidelines for Advertisement by Company Secretary in Practice
- Guidelines for issuing Compliance Certificates and Annual Returns
- Guidelines for Requirement of Maintenance of a Register of Attestation/ Certification services rendered by Practicing Company Secretary/Firm of Practicing Company Secretaries

DISCIPLINARY CONTROL

The Company Secretaries Act, 1980 and the Company Secretaries (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 made by the Central Government in exercise of powers conferred under the Company Secretaries Act, 1980 provide elaborate provisions and fast track process for dealing with the complaints of professional or other misconduct filed under the Act.

NATIONAL FOUNDATION FOR CORPORATE GOVERNANCE (NFCG)

The Ministry of Corporate Affairs, Government of India in partnership with Confederation of Indian Industry (CII), the Institute of Company Secretaries of India (ICSI) and the Institute of Chartered Accountants of India (ICAI), set-up NFCG on 1st October 2003, as a Trust to function as a not-for-profit and non-political body.

NFCG has been constituted with a vision to be a catalyst in making India the best in Corporate Governance Practices through fostering a culture for promoting good governance, facilitating voluntary compliance and effective participation of different stakeholders, creating a framework of best practices, structure, processes and ethics and making significant difference to Indian Corporate Sector by raising the standard of corporate governance in India towards achieving stability and inclusive growth.

To achieve its vision and accomplish its task, NFCG performs the following functions:-

- Provides platform to deliberate on issues relating to good Corporate Governance, CSR and Sustainability as the key to sustainable wealth creation;
- Encourage research capability in the area of corporate governance, CSR and Sustainability and provide quality training to Directors / faculty;
- Develop the voluntary Corporate Governance Code on various identified themes;
- Cultivating international linkages.

NFCG's internal structure comprise of

- *Governing Council* : The Governing Council works at the apex level for policy making. It is chaired by the Hon'ble Minister for Corporate Affairs, Government of India.
- *Board of Trustees* : The Board of Trustees deals with the implementation of policies and programmes and laying down of the procedure for smooth

functioning. It is chaired by the Secretary, Ministry of Corporate Affairs, Government of India.

- *Executive Directorate* : The Executive Directorate provides internal support to NFCG activities and implements the decisions of the Board of Trustees.

The Executive Director is the Chief Executive Officer of NFCG.

NFCG has constantly been engaged in undertaking various initiatives to promote and foster culture of good Corporate Governance, CSR and Sustainability both at the level of individual corporations and for the economy as a whole.

In the domestic front, NFCG has been working closely with Partner Institutions (Ministry of Corporate Affairs, CII, ICSI & ICAI) and Accredited Institutions (premier management institutions like Indian Institutes of Management – Bangalore, Kolkata, Lucknow & Ahmedabad; Administrative Staff College of India, Hyderabad; NALSAR University, Hyderabad; Loyola Institute of Business Administration, Chennai, SP Jain Institute of Management & Research, Mumbai, Indian Institute of Technology, Kharagpur and many others) to provide training to Directors/ Faculty, conduct research work and build capability in these areas.

Similarly, on the international front, NFCG has worked closely with Institutions like the World Bank, OECD, Asian Corporate Governance Association (ACGA), etc. to promote best Corporate Governance practices and bilateral initiatives in the field of Corporate Governance in a concerted and coordinated

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TENTATIVE PROGRAMME SCHEDULE

13:30 hr	**REGISTRATION**
14:00 hr	**SESSION 1: PLANET, PEOPLE AND PROFIT : THE NEW INTERNATIONAL PARADIGM FOR CORPORATE SUSTAINABILITY**

Opening Remarks

Mr. N K Jain
Secretary & CEO, The Institute of Company Secretaries of India

Speakers

Mr. V S Khanvalkar
President, The Institute of Company Secretaries of India

Mr. B Narasimhan
Council Member, The Institute of Company Secretaries of India

Session Co-ordination

Mr. Datla Hanmanta Raju
Past President, The Institute of Company Secretaries of India

15:30 hr **SESSION 2 : TRIPLE BOTTOM LINE APPROACH - THE PEOPLE FOCUS**

Speakers

Mr. Mahesh Anant Athavale
Practising Company Secretary and Past President, The Institute of Company Secretaries of India

Mr. Sutanu Sinha
Director (Academics), The Institute of Company Secretaries of India

Session Co-ordination

Mr. Nesar Ahmad
Council Member, The Institute of Company Secretaries of India

16:30 hr **SESSION 3 : NEW CORPORATE GOVERNANCE IN THE POST CRISIS WORLD**

Speakers

Prof. Martin Hilb
Managing Director of the Institute for Leadership & HRM and its Center for Corporate Governance at the University of St. Gallen, Switzerland

Mr. N K Jain
Secretary & CEO , The Institute of Company Secretaries of India

17:30 hr **PROGRAMME CONCLUDE & NETWORKING TEA**

SESSION 1

PLANET, PEOPLE AND PROFIT
THE NEW INTERNATIONAL PARADIGM FOR CORPORATE SUSTAINABILITY

CS VINAYAK S KHANVALKAR

Mr. Vinayak S. Khanvalkar is the President of the ICSI. He is M.Com. & Law Graduate and a Fellow Member of the Institute. He was the Vice President of ICSI for the year 2009 & is presently a Practising Company Secretary at Pune. Mr. Khanvalkar is the Central Council Member of ICSI for the term 2007-2010. He was the Member of Corporate Legislation Sub Committee of Maratha Chamber of Commerce, Industries & Agriculture and also holding position of Director in private limited companies of repute. He is visiting faculty at various professional institutes, associations and bodies. He had been the Chairman of the Western India Regional Council (WIRC) and Chairman of the Pune Chapter of The Institute of Company Secretaries of India. He was a member of the Secretarial Standards Board of ICSI.

CS DATLA HANUMANTA RAJU

Mr. Datla Hanumanta Raju, is an MBA with specialization in Finance. He is Commerce and Law Graduate and a Fellow Member of the ICSI. He is presently a Practicing Company Secretary at Hyderabad. He was re-elected to the ICSI Central Council for second successive term 2007-2010 and was elected as the President of the ICSI for the year 2009. He has been the Chairman and Member of various Committees of ICSI including Syllabus Review Committee, Placement Committee, International Perspective Committee, Convention Organising Sub-Committees for National Conventions of ICSI held at Chennai, Hyderabad & Bangalore.

He has been a regular speaker at various seminars, programees, workshops and also a visiting faculty for Company Secretaries, Chartered Accountants and Cost & Works Accountants for the past several years in Hyderabad wherein he holds the record for non-stop teaching for 27 hours, 27 minutes and 27 seconds.

CS B NARASIMHAN

Mr. B Narasimhan is MA in Economics and Fellow member of The Institute of Company Secretaries of India. He was elected as Member of the Central Council of ICSI for the term 2007-2010.

He has work experience spreading over 3 decades and had a stint in various organizations including Aditya Birla Nuvo formerly Indian Rayon and Industries Ltd, Reliance Consultancy Services Pvt. Ltd. and MCS Limited. He is presently working as Vice President with Karvy Computershare Pvt. Ltd., Category I Registrar and Share Transfer Agent.

He has over 20 years of experience in the Registry business and had been actively associated with the Capital Market. He was the Chairman of Registrar Association of India (RAIN) from 1995-96 and 2001-2004 and has actively contributed to the healthy growth of the Registry Industry. As a Chairman of RAIN he has had extensive interaction with all the Regulatory bodies in the Capital Market and had also been member of several committees constituted by SEBI, Stock Exchanges and the Depositories to deal with various issues related to the Capital Market.

Mr. Narasimhan has been a very active member of ICSI and has contributed his mite as a guest speaker in various programmes conducted by the Institute, the Regional Councils and Chapters all over the country. He is also a visiting faculty with professional institutions like Institute of Capital Market, Vashi, Navi Mumbai and Bombay Stock Exchange Training Institute, Mumbai and few other Management Institutes including the SP JAIN Institute of Management, Institute for Technology and Management, Kharghar and Vashi.

He has also contributed research papers on various topics like 'Harmonisation of various statutes relating to Securities Markets', 'Holding in abeyance of Corporate actions', 'Jumbo Transfer Deeds and its legal validity', 'Proportionate allotment', 'Procedure for issue of Duplicate Share Certificates', 'Issuers concern in the Depository', 'Grey areas of Section 205C of the Companies Act, 1956', 'Securities Balances lying in Clearing Members Pool Account' and 'Non-Paripassu Shares– An overview'.

CS NARESH KUMAR JAIN

Mr. N K Jain, Secretary & Chief Executive Officer of the ICSI is also Secretary of the International Federation of Company Secretaries (IFCS).

He obtained the degree in Law from Delhi University in First Class in 1974. He started his career as a Management Trainee in Shriram Group and has worked for corporate sector and industry for about 30 years holding senior positions.

He is the fellow member of the ICSI. He was elected to the Central Council of the ICSI in 1994 and was member of the Council for three years during 1995-97. He was elected to the Northern India Regional Council (NIRC) of the ICSI for two terms 1989-91 and 1992-94. He was Chairman of NIRC in 1992.

He is a Founder Trustee of the National Foundation for Corporate Governance. He is a member of the Corporate Advisory Committee of the Institute of Management Studies, NOIDA. He has been co-opted as a Member of the Academic Council of IGNOU. He had been member of various Committees of leading Industry Associations, Chambers of Commerce and professional bodies.

He has undergone a week long Corporate Governance Leadership Programme, South Asia organized by Bangladesh Enterprise Institute and Global Corporate Governance Forum (GCGF) at Dhaka in May 2008. He was one of the Faculty Members in Corporate Governance Leadership Programmes organized by GCGF in Mumbai and New Delhi in the year 2008. He has attended meetings of Indo-UK Task Force on Corporate Affairs in the year 2009.

Mr. Jain has contributed several papers and articles in various professional journals, magazines and leading economic and financial dailies and addressed various workshops, seminars and conferences in India and abroad.

SESSION 2

TRIPLE BOTTOM LINE APPROACH
THE PEOPLE FOCUS

CS NESAR AHMAD

Mr. NESAR AHMAD B.Com (Hons), is a fellow Company Secretary of 1989 batch. He has been practicing as Company Secretary in the areas of Corporate and Securities Laws since 1993 with specialization in Company Secretarial and Representation services, Corporate Laws, Business Restructuring, Merger & Amalgamation, Oppression and Mismanagement, Merchant Banking and other Legal Matters. Earlier, he worked with Thapar Group of Companies in Delhi during 1989-92.

He is presently member of the Central Council of the ICSI for the term 2007-10. Earlier, he was the Central Council Member for the term 2004-06. Previously, he held various positions in ICSI (Northern Region) as Editor, Treasurer, Secretary, Vice-Chairman and was Chairman in 1998 (August-December) and also in the year 2000. He has been associated with Social Organizations (NGOs) and Welfare Society in Delhi including SMILE FOUNDATION. He has been member of the Expert Committee on Company Law and Competition Policy constituted by ASSOCHAM (since 2002 till 2008) and represented before Naresh Chandra Committee, Ministry of Corporate Affairs (MCA) and Parliament Standing Committee (Finance) on its behalf.

As a Central Council member, he has been Chairman as well as member of various committees and Secretarial Standard Board (SSB) of ICSI and has also appeared before Parliament Standing Committee (Law & Justice) on the National Tax Tribunal Bill, 2003 and Parliament Standing Committee (Finance) on Limited Liability Partnership (LLP). In 2009, the Ministry of Corporate Affairs vide its Gazette notification appointed Mr. Ahmad as one of the members to administer the Investor Education & Protection Fund (IEPF) for two years term.

Also, the Bombay Stock Exchange has appointed Mr. Ahmad as a Member of 'Panel of Arbitrators' of Delhi Region Arbitration Centre.

He has been a regular faculty in the seminars/workshops/ training organized by ICSI, Ministry of Corporate Affairs, UGC, NGOs and various other Institutions and bodies.

CS MAHESH ANANT ATHAVALE

Mr. Mahesh Anant Athavale, Past President of the Institute of Company Secretaries of India, is Masters in Commerce, Law Graduate and Fellow Member of the ICSI. He is a Practising Company Secretary since 1989 and is a Partner in Kanj & Associates, Company Secretaries, Pune, India. He was elected to the Central Council of the ICSI for the term 2001-2003 and re-elected for the second successive term 2004-2006 He has contributed several articles in newspapers and journals and co-authored a book on “Secretarial Practice and Mercantile Law” for students.

Mr. Athavale has been nominated as a member of various Committees of MCA and SEBI. Mr. Athavale is a Member of the Corporate Laws Sub-Committee of Mahratta Chamber of Commerce, Industries and Agriculture, Pune. He is Director, Sampada Sahakari Bank Ltd. and The United Western Bank Ltd.

Mr. Athavale is a visiting Faculty for Staff Training Colleges of SBI, Bank of Maharashtra, National Insurance Academy, MBA Courses at Pune University and various Management Institutions.

CS SUTANU SINHA

Mr. Sutanu Sinha a Fellow Member of the Institute of Company Secretaries of India (ICSI), is also a Member of the Institute of Chartered Secretaries and Administrators, London, UK. He is a Post Graduate in Marketing Management from the University of Kolkata.

Presently the Director, Academics & Professional Development in ICSI, he has over 23 years of experience in secretarial, legal, corporate planning, international trade and various other areas in leading MNC and PSUs.

Mr. Sinha has contributed several papers and articles in various professional journals and magazines and addressed various workshops, seminars and conferences. An specialist in Enterprise Resource Planning, his model on application of 5S Techniques in computerized environment has been adopted as a part of course curriculum by the East Michigan University, USA.

SESSION 3

NEW CORPORATE GOVERNANCE
IN THE POST CRISIS WORLD

PROFESSOR MARTIN HILB

Professor Martin Hilb is the Founder of the IFPM Center for Corporate Governance at the University of St. Gallen, Switzerland (www.ccg.ifpm.unisg.ch). He has conducted research at UBC in Vancouver, MGSM in Sydney and taught at the University of Dallas, Texas, SMU in Singapore and EIASM in Brussels.

He was associated with Nestle in Switzerland, Martin & Co in Germany and Schering-Plough Corporation USA, ultimately in the role of Director of Essex Chemie AG.

Martin Hilb has consulted organizations in the field of Board Effectiveness and HRM in 60 countries.

THEME PAPER

THEME PAPER

PLANET, PEOPLE AND PROFITS : THE NEW INTERNATIONAL PARADIGM FOR CORPORATE RESPONSIBILTY

At the outset it needs to be recorded that this Paper borrows the terminology of its title from the concept of Triple Bottomline that is now used globally. But it stops at that. The concepts are sought to be developed independently with as much original thinking as possible.

The Ecology

Any material resources a corporate obtains or exploits for use in its activities come from the Planet. The Planet does not merely mean the Mother Earth. The Earth is itself made up of the soil, mines, water, land, greenery, forests, mountains, valleys, snowy and icy surfaces, animal life, and deserts and so on. In addition, she maintains her existence and life by using atmospheric content, the different gases, the sunlight and other known and unknown sources of life and energy. While a corporate may use any of these resources, known to be renewable or not, the corporate using them must feel the responsibility to keep them intact since the corporate has to take care of the interests of the present-generation stakeholders as well as of the stakeholders that will belong to future generations.

Life is an unending continuum. This conscience may not come to a corporate as a natural choice to choose right from the wrong. This is because a corporate is not a natural person while, many times, it lords power over colossal resources which an individual might never get an opportunity to lord over. Divine literature from various religions tells us that in the beginning there was The Word and that The Word was with the Lord. This Word produced the natural conscience in an individual as an innocent child and religious teachings are there to tell each individual how not to let go of this conscience. But corporates do not have this natural gift. Their minds are sound-less. There are no conscience pricks for corporates. Why religious teachings alone? What prompted the revered scientist Dr. Albert Einstein to say this:

“[the human being] experiences himself, his thoughts and feelings as something separated from the rest—a kind of optical delusion of our consciousness. This delusion is a kind of prison for us, restricting us to our personal desires and to affection for a few persons nearest to us. Our task must be to free ourselves from the prison by widening our circle of compassion to embrace all living creatures and the whole of nature in its beauty”.

Surely, Einstein talked to the Individual and the society. The message, as it were, came from The Word within. All living beings and the entire beatificity of the nature were to assimilate in one’s expanded consciousness. The living beings of today and of the morrow and the varied nature around them need to be continuously enriched from all angles.

Humanistic

Corporates are part of the society. Corporates are operated by individuals. Thus, Planet, People, and Profit are not mere words. They signify a new integrated creed. How do we live? How does a corporate live? How do corporates grow? If it were not with the support of the people and the planet, how else would the corporate grow ?

An individual is a tiny living replica of the cosmos. This is so irrespective of the sex, race, education, position and all other forms of delusory separated-ness.

Profits are a measure of efficiency and effectiveness. They are, no doubt, essential for the corporate to live on, grow on, and so on. Should the enrichment not come to the Planet and the People who support the life and growth of the corporate ? The Planet is nothing but the silent earth, air, water, light, fire, and the food that quenches the fire in the stomach. As the People are made up of these Planetary contributories, so are the corporates. This is because corporates are manned, operated by and run for the people within and without. Planet, People, and Profits will thus represent the new corporate creed. Planet, People and Profits will represent the culture of a new learning, as opposed to a consumptive, organization. The learning organization can alone be a long- living organization.

Individual Organism

Let us, to simplify matters, think from the point of view of the living individual. She/he lives on because of the earth and the food it produces; the air and the oxygen it gives; the light and the vision it gives; the water and the continuous blood-flow it gives; the fire or the energy that activates the body and the breathing, and, its absence, which creates the (silently) creative sleeping condition. What fantastic debt does an individual live under! And yet, the debt goes on mounting every moment of her living life.

An individual is thus obligated to forever try and be unsuccessful in redeeming the debt under which she lives on. The debt keeps on mounting forever. The individual has to keep on trying rendering valuable services to other individuals and society giving them value, service, knowledge and richness of humanistic content. This she has to do obviously without expecting anything in return because the individual has already received an enormous gift of existence as a human being. And in order to keep on doing this, the individual has to keep on learning, and imbibing new skills, both of which will enable her go on adding value.

Corporate Responsibility

Will then corporates be able to avoid this responsibility in any manner? Why do even prosperous corporates, as per studies, posses an average life span of around forty years only ? [James C Collins and Jerry I Porras, *Built To Last*: *Successful Habits of Visionary Companies*, New York, HarperCollins, 1994]. Is this not much less than the average human life span? Good corporate citizens will become learning organizations. Only by this organizational learning will they be able to keep on discharging the debt of the Planet, the People, and the Owners. Then only will they be able to become living companies and long-living companies. Without this, as even prosperous companies experience, companies cease to grow; atrophy and die.

Globalization

We are living in an age of corporate globalization. If we look back at the history, business was always global in nature. As means of transportation and communication became available and went on gaining speed and reach, goods, services, people, skills, and capital started flowing across national borders. As the Internet surfaced, the world became flat, communication seamless and business caught 'the speed of thought'. The WTO, in spite of seemingly insurmountable hiccups, helped the process of globalization.

India is the most ancient country. She is the richest in her heritage on account of her ancientness and openness and tolerance in her culture. Sustainability is guaranteed when business and social mindsets are open, tolerant and flexible. Indian polity and society are diverse, democratic, and creative; they are also open, tolerant and accommodative. In such an ethos parochialism and greed become rare and despised; scarifies and learning become the ways of life. Professor Amartya Sen, the Nobel laureate economist, writes as follows in his book *The Argumentative Indian* [Penguin]

"… segregationist programme runs contrary to the fact that sustained interactions across the borders can be seen throughout India's long history. It is not so much that there was no deprecation of foreigners in Indian traditionalist thinking. Indeed, quite the contrary. But, as Alberuni, the Iranian historian of India, noted nearly a thousand years ago (in a statement with remarkable anthropological vision), 'deprecation of foreigners not only prevails among us and the Indians, but is common to all nations towards each other'. Despite this skepticism of foreign people, there were interactions with outsiders throughout Indian history.

India's recent achievements in science and technology (including information technology), or in world literature, or in international business, have all involved a good deal of global interaction. The important point to note in the present context is that these interactions are not unprecedented in Indian history. Indeed, interactions have been part and parcel of the Indian civilization, from very early days. Consider Sanskrit – a splendid language with a rich literature – which has been one of the robust pillars of Indian civilization. Despite its quintessential 'Indianness', there is a general understanding that, in an early form, Sanskrit came to India from abroad in the second millennium BCE, with the migration of Indo-Europeans, and then it developed further and flourished magnificently in India. It is also interesting to note that greatest grammarian in Sanskrit (indeed possibly in any language), namely Panini, who systematized and transformed Sanskrit grammar and phonetics around the fourth century BCE, was of Afghan origin (he describes his village on the banks of the river Kabul). These foreign connections have not diminished the pride of classically minded Indians in that great language, nor in the exceptional achievements of the literature, culture and science that found its expression in Sanskrit".

Sustainable Growth

A learning organization, like a learning nation, requires this openness, tolerance, diversity and democratic way of life that India provides to the world as a millennia-old civilization. Ideational accommodativeness, limitless flexibility and Himalyan humility are in the air and the culture of India, represented by the beginning-less and endless sound-syllable OMM worshipped in India. Growth, huge growth and sustainable growth should therefore become the way of life for corporate India.

Budgetary Expectations

The 2010 Indian Budgetary expectations project the Indian economy to grow by 8.5 per cent in the proximate future and soon reach or breach a 10 per cent annual growth rate. The economy is supposed to re-enter the 2003-07 growth trajectory, emerging from the lull created by the global slowdown that hit in 2008. But can we forget that the 2003-07 growth rates in emerging markets were fuelled by the credit bubble that started in American sub-prime mortgage market. Consumption levels in the American and Western markets were exceedingly high. Demand for the goods and services from emerging markets like India and China flourished on these unsustainable consumption levels. These two Asian economies are supposed to lead the revival of the world economy and to create a hope for economic boom once again.

Pre-2003 Growth

What were the pre-2003 growth rates in emerging markets? Between 1980 to 2002 these economies clocked growth rates of around 3.6 per cent per annum. The growth pace doubled after 2003 till the global financial crisis dragged it in 2008. Globalization was supposed to be benefiting these economies. India also enjoys demographic dividend, while emerging markets, in general, boast of better macroeconomic management as compared with the developed world.

Real Drivers

From 2003 onwards the U S Federal Reserve successively lowered interest rates making available cheap money to the US consumers. Huge foreign exchange reserves of China and other Asian counties, held in U S Treasury investments, also flooded US markets making borrowing cheap. The spending spree of the US consumers spurred growth in exports from emerging economies.

Capital outflows from the west to emerging economies also stepped up. Indian companies raised substantial debt from financial institutions in the west. They did this to fund their ambitious expansion and acquisitions. Due to currency linkages central banks in developing world also followed cheap money policy adopted by the Federal Reserve. The capital inflows led to investment-led growth in India.

Sustaining It

When advanced countries have all got into the low gear of growth, their public debt has grown huge, what will drive developing countries' growth 2010 onwards? Ruchir Sharma of Morgan Stanley Investment Management says: "Wellness is not just the presence of healing—it is a return to normalcy —many parts of the global economy (are) operating below capacity….the anguish continues though the downturn is well past. In the developed world, at least, —— (there is) a growing realization that economic activity will not return to its pre-crisis trend any time soon." He cites from the Paper "Growth in a time of debt" [economists Kenneth Rogoll and Carmen Reinhart] that when the government debt as share of the economy exceeds 80 per cent, median growth rates fall by 1 per cent and the mean levels of growth decline by even more substantial 4 per cent. [The Economic Times dated March 8, 2009]

Public Debt

At 180 per cent Japan has the world's highest levels of public debt as a share of GDP. In countries such as Greece and Italy the ratio is around 120 per cenrt. At the end of 2010, the U S public debt will be 90 per cent of GDP. Thereafter the debt will begin to seriously drag down long term rates of growth. The fresh annual debt as a proportion of GDP in the US is higher than it ever was, but for the World War II years.

Public Finances

The U S will run a fiscal deficit of 10 per cent of GDP in 2010. This will be a repeat of 2009. India has had it at 12 per cent, in 2007-08 and 2008-09. Interest rates are low because currency rates are at historical lows. The US Federal budget, 2010 estimates that public debt will increase by over $1 trillion each year to reach $19.7 trillion in 2015. This will be 100 per cent of the US GDP.

Crisis Impact

Big crises cause big time damage, points out Sharma. The IMF estimates that output on average declines by almost 10 per cent relative to trend over seven years following a financial crisis. There will follow tighter credit conditions with lower productivity on account of cutbacks in research and development spending. A structural rise in unemployment will hobble consumption.

But lack of protracted aggregate demand is an effect, not a cause. Easy money policies over the last decade helped load US households with debt beyond prudence. This set up the crisis. Again, all this was done just to bolster the aggregate demand. This was done to coax growth out of the American economy within an excessively permissive monetary environment.

Tighten Policies

As far as Asian economies like India and China are concerned, their fundamentals are strong. Leave aside China, for her balance sheet is unmatched. Her financial transparency has always been conspicuous by absence. India, for example, must not depend upon loose monetary and fiscal policies. Her public finances must be maintained in order, in order to protect growth. Growth that is self-sustainable needs a defensive cover. Sound public finances will provide that, says, Saumitra Chaudhary, Member, Planning Commission [The ET dated March 9, 2010].

Sustainability

In view of lower governmental savings, foreign savings have been the driver of the

Indian economy. They drive the animal spirits of Indian corporations as was witnessed in several acquisitions abroad by Indian corporates. Fiscal stimulus to research and development spending offered by the 2010 Union Budget will help bring forth innovations to drive the growth. MSMEs will also play a critical role in India growth scenario. Remember, out of the 500 million workforce in India, only 6 per cent are in the organized sector. The vast majority is in the unorganized sector. Hence, skill building, education, healthcare and insurance will play a critical role in India's growth. The defensive cover of reduced fiscal deficits and sound public finances will make India growth story a real happening. It will not be a make-believe delusion of the western kind.

Primacy of India

We cannot miss the fact that India represents a huge mass of people. Majority of cultures, practices, languages and communities inhabit India. Yet, for thousands of years Indians have practiced structured social exclusion. Her people have, in spite of the development of democracy, for ages, followed hierarchical social systems. The advent of technology and increasing globalization will restore the culture of equality that was practiced in India more than five thousand years ago. That time was the time of a democratic polity in the form of "Ganarajya". All men and women had equal rights and the social system was transparent, egalitarian and democratic. But ages of untoward social developments have made Indians forget that self-sustaining social structure.

Even though, recent developments in information technology, right to information, right to work, right to education, reservation for women in legislatures, etc are putting the people power on the rise, change of heart happen slowly. Empowerment of all sections of the society, inclusion of all in the process of development and ecological and environmental trusteeship should make for sustainability. Social justice is both a matter of equal rights for all and of mutual trust among the state, business and people. Like fiscal deficit, deficit of trust is also bad, in fact, worse. The state, the corporates and the people must work in an atmosphere of trust. Not only that, each individual must regard herself as the trustee of her wealth, her rights and of the environment. The state must regard itself as the trustee of people's rights and the national resources. Corporates must regard themselves as trustees of the resources, the people, the planet and the environment. This appears to be the only way of making economic development sustainable. If India shows the way (and who else could it be?), the global corporate sector and the global populace will learn.

FINANCING SUSTAINABILITY

Sustainability and inclusiveness are co-related. Sustainable growth may happen only when the organization integrates with including the deprived elements of the society in the growth. Macro level fiscal thinking in India has been recently aiming at inclusive growth of banking and financial services.

A Subset

Banking, says banker Aditya Puri, is a subset of what will happen in the financial services market in India. In this market space in India demand is going to exceed supply in the next 4-10 years. When GDP increases by 8 per cent or more, the multiplier of GDP to credit is three times, there will be a phenomenal opportunity to financial services industry. Thus banking industry will grow at about 24 per cent per annum.

Problems

If Indian economy addresses the problems of infrastructure, power, subsidies, and problems in the rural areas, the Indian growth rate will be much more than 8 per cent. Even at 8 per cent GDP growth a bank must be able to grow at 25 to 30 per cent per year, if it is not complacent about being in the financial services space. Further it must have

- the right products,
- the right technology,
- the right pricing, and
- once again, no complacency.

Financial inclusion

All of these are extremely critical issues for a bank to handle and it must be able to adjust them to the needs of the market. It must also pursue financial inclusion opening new markets, micro finance, replacement of private money lenders in small places, personal loans, etc.

Capital adequacy

Banks in India are on a stable footing with capital adequacy intact at 17.5 per cent. Global financial crisis did not affect India except creating a short-tern liquidity issue slowing growth a bit. But stimulus packages announced by the government is restoring the growth rate, easing liquidity. That leaves banks to take initiatives to bring the excluded, marginalized, unsearched sectors ensuring their financial participation in the Indian growth story.

Solve tangles

The Government should also solve national financial tangles of subsidies and deficits, and vastly improve power and infrastructure situation.

Telcos

Telecommunication companies collaborating with banks will enable banks extend the reach of services even in far-flung areas. The Unique Identification Codes allotted to commoners will make a big impact on banks achieving financial inclusion. Reserve bank liberally issuing licenses to branches of private sector banks will enable banks to expand their distribution network deeper.

Bharat to India

Further, if debt market expands and deepens, and futures and options market matures, the policy of the financial inclusion of small and marginal farmers, artisans, tribals, backward classes, urban poor will succeed, expanding the market for banks. Roads into remote areas will “link Bharat to the so-called India.” Micro finance and Self Help Groups will become stronger all over the land. Banks will develop new financial products for them. Technology will enable lower costs for bank transactions making banks achieve higher profits. Financial services of various types will be rendered on cellphones. Afterall, 60 per cent of India's population lives in rural areas. Banks will serve more and more agro based industries.

Industrial inclusion

Big industry may also follow the policy of industrial inclusion, buying products directly from the farmer. Then the bottom can be benefited by a multiple of 5, says Mr Puri. That would be a great step towards poverty alleviation. Companies should follow priority sector purchasing targets as banks follow priority sector lending targets, he says. There should be industrial inclusion targets for companies.

Entire ecosystem

There should be involvement of the entire eco-system in order to usher in financial viability in all sectors. We should expand the mass—industrial inclusion, literacy inclusion, manufacturing inclusion,——everything. We should change the agricultural supply chain in order to eliminate money lenders. Then the farmers and agricultural labourers will find themselves financially included in the economic mainstream. Companies can follow the dairy model with rural off-take targets.

Suitable solutions

Banks should innovate financial products based on customer needs. Banking should be simple, stable and proper banking. Too much of intellectual innovation indulged by the West through derivative products must be shunned. Banking should take money from those who have and give it to those who need it, both in a safe manner, and facilitate payments transactions. That simplicity will facilitate stable growth of banking in India.

Consolidation

The size of Indian banks, including the public sectors banks, (perhaps with the exception of the State Bank of India), is too small. The smallness may not be absolute, but when compared with the size of the banks at the global level even the State Bank of India does not figure in the list of the top fifty banks in the world. When Indian businesses in the real sector go out for international mergers and acquisition, they have to fund their growth from foreign banks. The size of balance sheets of Indian banks is not big enough to support mega acquisitions. Yet, there is an argument that opposes consolidation in the Indian banking space. The argument is that Indian banks should not become 'too-large-to-fail' as such banks required huge bail-out funding by the governments in the US, the UK, France and Germany.

But, as we know, the Indian polity does not consider any bank size as 'too-small-to-ail'. The Madhepura Co-operative Bank, which had a small asset size of only rupees one billion was not allowed to fail. Similarly the Global Trust Bank was saved from failure by merging it with the Oriental Bank of Commerce. Leave banks alone. Even the real sector company Satyam was not allowed to fail, the government working overnight to facilitate its takeover. By stalling consolidation of Indian banks into very big size, are we going to allow our real sector companies starve of funds for their big-ticket acquisitions?

True, as Paul Volcker advised the US Congress, banks should not be allowed to do proprietary trading; they should not directly own hedge funds or private equity funds; they should not do derivatives trading without a merchant base. But Indian banking system is already well regulated. Indian banks are not allowed to do these things that caused the failure of the banks in the west.

Going by the size criterion, India banks are smaller than the big banks even of China, Japan, Australia, Singapore and South Korea as well. The entire corporate sector to become sustainable, Indian banks need to undergo consolidation and emerge with an extra-large size. That alone will enable the Indian economy to return to the pre-crisis growth rates, because growth rates in the US, the UK and Germany may only become at best, anaemic even if the governments there keep on infusing stimulus funds. Now it is the turn of Brazil, Russia, India and China (BRIC countries) to lead the world economic recovery in a sustainable manner. The Planet and the People of the Planet will depend upon these countries, especially India, to make growth dynamics happen in the world once again.

This thinking on the part of bankers indicates a wide shift in approach. Inclusion of those who have traditionally been deprived from access to banking and finance, to markets and to education is the prime need of a stable and sustainable growth. All people are equally important in a democratic and egalitarian India. This attitude is not merely of lip-service. It must be actionable and acted upon. Economic as well as self development has no place for ego-centricity. It has no place for vested interests and superiority complexes. Availability of opportunity to all for economic participation must be ensured. That must be done on an equal footing. Otherwise we will be ushering in casteism in the economic sphere although it is slowly being eliminated from the social structures in India.

GLOBAL FINANCE

The 2007 global financial crisis began with proliferation of sub-prime mortgages in the US housing market. The bank loans were given against questionable valuation of homes spread throughout the US. The loan securities were then converted into attractive Collateralized Borrowing Obligations by dicing, slicing and packaging them into saleable derivatives. The fanciful derivatives like Collateralized Debt Obligations and Credit Default Swaps were sold like hot cake among financial institutions, banks, development banks, hedge funds and the like in the US and Europe. Since the underlying home loans were themselves found non-realizable, the credit crisis happened. Inter-banks confidence collapsed. Balance sheets of banks and financial institutions were found false, inflated and unreliable. Big financial institutions like Fannie Mae, Freddie Mac, Lehman Brothers etc filled for bankruptcy with thousands of billions of dollars of financial assets having become worthless.

Those financial institutions who tried to get over the crisis borrowed heavily, rolled over their debts managing some how, to survive. Not only financial institutions even commercial corporations in the US and Europe refinanced and rolled over their commercial debt that found itself invested in the now-fake financial derivatives that had to be slain off the balance sheets like the slaying of cattle with foot and mouth disease. The borrowings with which the refinancing or rolling over was done has been in the form of junk bonds and other corporate debt papers that will now mature between 2012 and 2015.

The US Federal Government which has been financing successive deficits at an average of $1 trillion a year through public debt is slated to borrow almost $2 trillion in public debt to finance its deficit in the year 2012 and also to repay over $850 billion debt that matures in that year. The total US public debt is estimated by the US Congress to reach 90 per cent of the US GDP by the year 2015. The same story will happen with various national governments in Europe around the same time. Moody's have therefore warned that several sovereign debt issues will lose the AAA rating between 2012 and 2015.

Corporates will also need to borrow heavily in order to retire the junk bonds and other debts that they issued in order to survive the global credit crisis. During the boom years preceding the crisis corporates had also raised huge debts to finance big leveraged buyouts. These debts will also come into reckoning by 2012. Thus, sovereigns as well as corporates scrambling for debt issues will push up interest rates, cause bankruptcies, job cuts and reduced consumer spending during the 2012-2015 period. From $21 billion due this year, junk bonds are set to mature at a rate of $155 billion in 2012, $212 billion in 2013 and $338 billion in 2015 [The Economic Times March 17, 2010].

Will this mean another credit crisis will hit the world after 2012? The only hope seems to be faster growth and revival of the economy, unless corporates are able to refinance their existing debts maturing in 2012 or immediately there after, before 2012 or in the two year period preceding 2012. Financial sustainability is thus a big issue. Profits, as well, must happen. Survival of corporates must be ensured in this tricky period. Survival, again, must not be at the cost of job cuts. It should happen through people power and innovation and through creativity of human capital. The capitalists psyche that cost of people is a profit-negating cost must change. Innovation, creativity, and moving mountains can happen only through people power—the human faith. It is the job of leadership to stroke, invoke and provoke quality leadership among the followers, in other words, the employees. Growth and prosperity must be made to happen through a positive, confidence-sharing attitude and approach. For many topper companies [in Jagdish Sheth's study *Firms of Endearment*], customer loyalty and employee retention were the highest purpose. Such companies spent far less on marketing, even paid less to their CEOs. Yet, they outperformed even the S&P 500 firms by significant margins. This means high profile billionaire CEOs and impressing outsiders through advertising and PR may not make for good corporate governance, necessarily.

GOVERNANCE CLIMATE

Having accepted the position that corporates and the state have to work in mutual trust for protecting the ecology, the topic of climate change comes closer to the corporate hearts. Governance professionals need an appreciation about environment protection and climate change. Corporate governance is expected to address a larger perspective in the short, long and very long time horizons. A corporate is a powerful player, if not the powerful player, at both national and global level. Governance leadership should therefore exhibit a pro-active awareness of macro-level national and international issues. Climate change has claimed much attention since 1990s. Governance leadership cannot ignore this since it is different from executive leadership. It is a function that would lead the executive leadership through policy directions. It will befriend, philosophize amd guide the executive in promoting interests of all stakeholders, present and NextGen. Hence governance leadership will make it a point to be aware of the complexities of the current issue of global climate change.

Kyoto Protocol

The Kyoto Protocol (K P) came into force from 2005. KP is an international system of governance regulating Green House Gases in the earth's atmosphere. It is implemented under the United Nations Framework Convention on Climate Change.

KP Press Release

According to a press release from the United Nations Environment Program, "After 10 days of tough negotiations, ministers and other high-level officials from 160 countries reached agreement on a legally binding Protocol under which industrialized countries will reduce their collective emissions of greenhouse gases by 5.2%. The agreement aims to lower overall emissions from a group of six greenhouse gases by 2008-12, calculated as an average over these five years.

Countrywise Responsibilities

National limitations range from 8% reductions for the European Union and others, to 7% for the US, 6% for Japan and permitted increases of 8% for Australia and 10% for Iceland.

The agreement is an amendment to the United Nations Framework Convention on Climate Change (UNFCCC) adopted at the Earth Summit in Rio de Janeiro in 1992. All parties to the UNFCCC can sign or ratify the Kyoto Protocol, while non-parties to the UNFCCC cannot. The Kyoto Protocol was adopted at the third session of the Conference of Parties (COP3) to the UNFCCC in 1997 in Kyoto, Japan. Most provisions of the Kyoto Protocol apply to developed countries, listed in annex I to the UNFCCC. Emission figures exclude international aviation and shipping.

UNFCCC

The UNFCCC has also been signed by developing countries, as by developed countries. In total 192 countries are signatories to the UNFCCC. As far as the Kyoto Protocol [negotiated under the UNFCCC] is concerned, developing countries including India and China have not signed this international treaty on climate change commitments; the US has also not joined in the Kyoto Protocol.

US Objections

The US objections to the Kyoto Protocol stem from two sources. First, if the US is compelled to reduce carbon emissions as per the Kyoto Protocol, the US economy will suffer. Second, the Protocol grants concessions to the less developed and developing countries in the matter of reductions in carbon emissions. If the US were to implement the Kyoto Protocol, she will have to face the fact that 55 per cent of her energy is generated by burning coal. This emits 40 per cent carbon dioxide emissions into the atmosphere. Her normal industrial and economic growth efforts will increase this carbon emission to 43 per cent. Implementation of Kyoto Protocol will require the US power sector to reduce carbon emission by 54 per cent. The US is not ready to accept this in spite of the dangerous “green house effects”.

History of Emissions

The history of carbon emissions tells us that rich countries have been responsible for more than 70 per cent of the emissions between 1850 and 2000. India’s contribution to the emissions during these years was an insignificant 2 per cent. As far as the current emissions are concerned the US, Canada, Europe, Eurasia and Japan contribute more than 50 per cent of the emissions and India contributes only 4.4 per cent, although she ranks 4th or 5th in terms of absolute carbon emissions. But India has the second largest population in the world with the US being a distant third. In terms of per capita levels of emission, India ranks 137th amongst the 192 countries that are signatories to the UNFCCC. 40 per cent of Indian households do not even have an electricity connection, while 300 million of its people live below the poverty line.

Advanced(!) Argument

There is an argument from the advanced countries that goes counter to the interests of India and China. They argue that if these countries do not enforce caps on emissions, bad industries from the US and Europe emitting large quantities would migrate to India and China. The migration will nullify efforts by advanced countries to mitigate carbon emissions. The argument appears baseless, although intelligent. Even between India and China, the comparison tells that while China contributes 21% of global emissions, India contributes less than 5%. Hence India's participation in global mitigation program will not make much dent in the global stock of carbon emissions, even if she enforces caps on emissions.

Origin There

The UNFCCC records in its Preamble that "the largest share of historical and current global emissions of green house gases has originated in developed countries; that per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and developmental needs."

Commitments

Consequently, the UNFCCC requires global emission mitigation commitments only from the developed countries. The Convention came into force in 1994. It explicitly exempts developing countries from mitigation commitments. Even the Kyoto Protocol that was ratified in 2005 requires only developed countries to mitigate.

The US Law

Against this background it may be noted that the US House of Representatives passed, after Obama Administration took over, " The American Clean Energy and Security Bill" (ACES Bill) of 2009. This bill provides for a "cap and trade" programme that would place an annual cap on the overall carbon emissions in the US. The cap would progressively tighten to 80 per cent of 2005 emissions in 2020; 58 per cent in 2030; and 17 per cent in 2050. Each year, the government would issue tradable permits matching the amount of the carbon cap. US companies would be required to acquire permit for every tonne of carbon emitted. They can acquire the permits from the government or from the market place.

Europe Too

Such 'cap and trade' programmes have also been followed in Europe under the auspices of the Kyoto Protocol. But the US Programme, beginning from the year 2020 requires the US President to impose import tariffs on selected carbon-intensive goods from countries that do not introduce caps on carbon emissions. This provision in ACES Bill particularly targets India and China. It requires the US Trade Representative to certify that India and China are adopting emission standards at least as vigorously as those adopted by the US.

India Should

Mr. Arvind Panagariya, Professor from Columbia University suggested in his article in the Economic Times of July 23, 2009 that if the US imposes such tariffs on goods imported from India and violates her commitments under the WTO, India should file a complaint against the US before the WTO dispute settlement body and retaliate by imposing tariffs on American goods in WTO-compliant manner. Such a move by the US under the ACES Bill would be inequitable, Prof. Panagariya argued that, since Indian per capita carbon emission is extremely low; her economic development requirements would not enable India to impose caps on carbon emission; and India's contribution to the global carbon emission was extremely low as compared to that of the developed countries including the US.

Give & Take

In international negotiations you have to sacrifice something in order to gain something. India does require big financial help from developed nations and international agencies to support its developmental effort. She needs to educate its public, industry and farm community about environment and climate change. Its pricing of its petroleum products and water resources and its transport policy has been faulty giving rise to carbon emissions and decline in agricultural yield.

Pricing

Petroleum products have to be priced so as to reduce carbon emission levels. Take for example the kerosene subsidy. This does not most of the times reach intended beneficiaries. Subsidized kerosene is used to adulterate diesel that is used to run trucks, agricultural pumps, etc. This leads to increase in carbon emission levels and breakages. Further, since public bus system is not modernized and subsidized, private vehicles increase in numbers. The tax on private vehicles is lower in India than the tax on public buses. All this leads to congestion on roads and increased carbon emissions.

Precious Water

Since use of water is not priced so as to minimize its wastage or to avoid it, there is huge and irresponsible drawal of groundwater. This leads to decline in natural salt levels in the soil and reduction in agricultural yield.

India's Role

Scientific evidence linking the emissions to increased frequency or intensification of catastrophic events is lacking. Further, supposing a connection exists between global warming and increased incidence of rains, floods, heat waves, rising sea levels and cyclones, mitigation by India in the next two or three decades is neither necessary nor sufficient to arrest global warming and its consequences. The richer world including the US, Europe, Japan and Eurasia account for more than 50 per cent of the current carbon emissions. If you add China, the proportion crosses 70 per cent. India accounts for less than 5 per cent of the global emissions.

Political Tactic

Prof. Panagariya, Professor from Columbia University therefore pointed out that the US Congress's refusal to undertake internationally-mandated mitigation obligations is a political pressure tactic to make India accept them as well. He pointed out that the stock of carbon in the atmosphere was not going to change in the next two or three decades. The stock in the atmosphere in the immediate coming decades will be dominated by the high carbon emissions by the rich countries in the last century. Therefore the impact of the human activity on global warming, rains, hurricanes, sea levels and floods in the coming decades would not make any difference; the fate is already written in the last century by the rich countries.

Indian Realities

On the other hand India with her 300 million living below poverty line and her 400 million living without access to electricity does need to take positive actions for poverty alleviation, health care, generation and provision of power, dwellings, water and education. Her actions to remove the abject poverty and to undertake electrification of homes and villages in the next two or three decades are not going to make any difference to the effects of carbon emissions already added to the atmosphere by the rich nations in the last century. Unless India pursues her programs for rural electrification, construction, education, healthcare and alleviation of poverty adding to the income levels it will not enable her citizens to overcome the effects of floods, cyclones and hurricanes.

Let Them Rise

Only when Indian incomes rise, people will have better shelters and greater mobility to protect themselves against heat, rains and other calamities. The government will also have more resources to assist citizens against emergencies from natural disasters. Prof. Panagariya has therefore urged India to continue her effort of mitigation only by such measures as replacement of “green” bulbs for conventional ones, fighting urban pollution that causes breathing diseases, switch to clean energy sources only if they are cost effective, pricing of electricity to reflect scarcity, and reforestation.

After 2040

India should join international mitigation commitments not now but only after 2040, he has suggested. But that does not mean India may relax at home. It should take a tough stance at the post-Copenhagen negotiations. But domestically it must strictly enforce energy efficiency, in public, in corporates and at homes. It should negotiate hard at international talks to acquire finance for promoting innovation in fields, say, related to solar photovoltaics, wind power, etc.

Possible or Not ?

The alternatives to the use of carbon-emitting fossil fuels presently known are nuclear energy, wind or sun energy, or geothermal energy. Will creation of enough energy to meet the needs of adequate growth and food, water, shelter and electricity for all mankind by the end of 21st century be possible in a cost-effective manner? Is the world adequately advanced in technology or will it be investing enough in the basic research and development to produce adequate energy by the use of the alternative sources replacing fossil fuels to meet the needs of growth and human welfare?

Need to Accept

One apprehended that the top political leaders of the world meeting even at Mexico in December 2010 will not proceed in negotiations by accepting first the absence of basic research and development for alternative sources of energy generation. They may merely focus their negotiations on the extent of reductions in carbon emissions. For example, even if all countries on the earth, it is estimated, are blanketed by windmills, the windpower may not create enough energy to meet the needs of growth and human welfare by the year 2100. Further what when the wind is not blowing? There is no technology yet available to store wind energy. Developing countries like India and China will have to focus on stimulating growth and providing food, water, electricity, shelter, education and healthcare for their citizens.

Carbon Taxes

Imposition of carbon taxes is not the adequate solution or even a plausible solution to reduce carbon emission. Market forces alone are not enough to stimulate the required investment in research, development and innovation. Further imposition of high carbon tax will simply hurt growth if alternatives are not adequately developed. Even if the forthcoming Copenhagen agreement that will replace the Kyoto Protocol at Mexico-2010 fixes the target to reduce CO2 emissions by 75 per cent by 2100 while maintaining reasonable growth, technologically to meet this goal non-carbon-based sources of energy would have to be 2.5 times greater in 2100 than the level of total energy consumption in 2000.

Research Work

Economists Chris Green and Isabel Galiana of McGill University have conducted research to show that confronting global warming effectively requires nothing short of a technological revolution. The present level of research is not serious enough to take on this challenge. The non-carbon-based energy sources are not competitive enough on price and effectiveness when compared with fossil fuels. Green and Galiana proposed limiting carbon pricing initially to a low tax (say, $5 per tonne) to finance scalable and stable energy research and development. Over time, they argue the tax should be allowed to rise slowly to encourage the deployment of effective and affordable technology alternatives. Investing about $100 billion annually in non-carbon-based energy research would mean that the world could essentially fix the climate change on the century scale calculated by Green and Galiana. For every dollar spent this way would avoid about $11 of climate damage. On the other hand strong and immediate carbon cuts would be expensive and yet achieve as little as $0.02 of avoided climate damage, argue Green and Galiana [referred by Bjorn Lomborg of Copenhagen Consensus Centre in the Economic Times of September 15, 2009].

Prohibitive

Economist Gunnar Eskeland comes from a position as senior researcher at CICERO (Centre for International Climate and Environmental Research, Oslo). Presently an economist from Norwegian School of Economics and Business Administration, he opines that genuine progress in emission mitigation requires massive investments in R&D. His research tells us that mitigation of climate damage is simply prohibitive in costs even for advanced countries should they want to develop mitigation technologies and green sources of energy. His research should come in handy if developing countries want to mount pressure on advanced nations to tighten their belts and, no matter what, invest massively in green technology research.

The Urgency

Actually, the UN Intergovernmental Panel on Climate Change has warned that if emissions do not fall by 2015 and do not continue to only fall thereafter, the globe will suffer serious consequences of the damage to climate from carbon emissions. The presence of CO2, Methane, nitrous oxide and other green house gases in the atmosphere create heat that arrests itself in the earth's atmosphere. The Sun rays enter the atmosphere and generate heat that does not exit the atmosphere at all. The world has already experienced torrential rains and floods in the Philippines and Vietnam killing thousands of people in September-October 2009. If intermittent recurrence of such calamities is not to be witnessed, an early global commitment for reduction in green house gas emissions is a must.

Other Linkages

One knows that already the US had stubbornly refused to be a party to the Kyoto Protocol. With stances of the major powers like the US and China [representing respectively the advanced and the emerging economies] getting tougher at Copenhagen negotiations, the prospects for committed reductions in emissions appear unnerving. Countries are linking their commitments at Copenhagen to other issues. Brazil, for example, is linking its commitment on cutting down rainforests to whether or not it is given a seat on the UN Security Council. As Noreena Hertz [Professor from Amsterdam] points out regarding China, as long as China is under pressure to stop increasing the value of the remnibi, it is unlikely to deliver commitments on emission cuts. It may not be possible to decouple climate change issues from trade or discussions on exchange rates, the reform of IMF or the UN, and so on.

Need to Extend

Prof. Hertz feels that if the warning proclaimed by the IPCC is not heeded by the countries of the world, the globe may witness scenarios of droughts, rising sea levels, floods, energy and resource wars, mass migration and so on. If that were to be prevented the Copenhagen negotiations would have to be extended to cover other issues of concern to emerging economies.

The Positions

Developing countries want their economic growth to catch up with the growth levels in industrialized economies. Their focus therefore is to create global policies that would ensure faster cuts in emissions from developed countries. This would make available to developing nations the space in the atmosphere to enable them to pursue their goals of economic growth.

As against this, even if the developed countries want to fulfill their commitments on emission cuts, the policy issue for them is the cost-effectiveness of these actions. The scientific consensus is for a reduction of minimum of 40 per cent in carbon emissions from developed countries. During the negotiations for the 2009 protocol, collectively these countries specified a reduction in their emissions ranging from 11 per cent to 18 per cent by 2020 with respect to the 1990 levels. Developed countries did not want to impose any economic burden on their citizens that would amount to a violation of international law. For this purpose they would have liked to go even to the extent of rewriting the UNFCCC.

Policy Issue

As pointed out earlier the policy issue for the developed countries in reducing green house gas emissions is the cost-effectiveness of their actions. The OECD analyses show that the costs of emission reduction for the developed countries can be minimized through policy instruments that focus on carbon pricing. Such carbon pricing needs to be applied across all countries.

OECD Research

Mukul Sanwal who worked on climate change at the policy level in the Government of India pointed out in Economic Times October 9, 2009 as follows:

"The OECD research led to country schedules identifying the most cost effective interventions for bringing emissions down to sustainable levels during the process of the negotiations. To their advantage, the developed countries push for inclusion of common actions, inscribed in schedules to the Draft Copenhagen Protocol."

Possible Bias

But the OECD research could also have the developed country bias. It may not be possible, pointed out Sanwal, to base any policy decision on estimates of global costs and benefits. This is because the estimates are uncertain and involve highly subjective judgments. Ethical considerations require that developed countries that emit green house gases well above their fair share of global emissions, must immediately reduce their national emissions.

Emission Rights

The existing value of emission rights stands at $2 trillion, which is 5 per cent of global GDP. According to the economist Joseph Stiglitz, the only defensible principle to allocate the emission rights is equal emission rights, per capita adjusted for past emissions. Stiglitz argues that climate change will need a new economic model focusing on changed patterns of consumption and innovation, to ensure that the burden is not shifted on to developing countries. Be that as it may, the negotiators for the Copenhagen protocol intended to replace the Kyoto Protocol reached an impasse. At the end of the Copenhagen meet however, some consensus communiqué was needed to be shaped.

Southern Lead

If developed countries, through the medium of OECD or otherwise, have started rewriting the rules, developing countries need to show leadership in order to create a paradigm of international cooperative action, at least in the Mexico round of Copenhagen talks in 2010. They need to set the agenda. Mukul Sanwal lists the following six contours for the political statement at Copenhagen (Mexico round):

1. "We should suggest that we agree to disagree on the implications of the historical responsibility of developed countries in causing the problem and role of the carbon market in finding solutions."

2. "It is essential to maintain the balance of rights and obligations under the Climate Convention; otherwise existing inequities will be perpetuated."

3. "With the growing importance of the service sector and consumer demand worldwide, this approach points to the need for all countries to focus on demand side management, and for the developed countries to immediately reduce their emissions from the services, household and transportation sectors down to the global average."

4. "There is a global consensus that a technological shift, unprecedented in the scale and speed of deployment, will be critical in meeting the challenge of climate change and its adverse effects."

5. "We should suggest that the major share of financial resources should be earmarked for the least developed countries."

6. "The global goal of countries at different levels of development—per capita GDP as well as emissions – must have environmentally sustainable growth as the central objective, with carbon management as a result and not the other way round."

Trust has always to be mutual. Developing countries must have their say. Climate and environment must improve for the better of the Planet, the People and in the corporate interests.

Consensus Point

Bjorn Lomborg [*op cit* The Economic Times dated March 19, 2010] raises a different point altogether. He quotes the best global-warming economic models. These models point out that every tonne of carbon dioxide that we put into the atmosphere now will do about $7 worth of damage to the environment. We should be prepared to pay an awful lot to stop global warming but anything more than $7 a tonne would be economically un-defensible. People find it hard to accept the idea. Their argument bears out their fear. "If we have a solution to a serious problem, how we can possibly argue that it is too expensive to implement", is the argument. Al Gore put it, "an unimaginable calamity requiring a large-scale preventive measures to protect human civilization as we know it" is what we are facing today. No price, then, would be too high to pay to stop global warming in its tracks. But, according to Lomborg, the stakes are not that high. "We need to replace our far-fetched Armageddon [last Mythological War that will end civilization] scenarios with realism about true cost of dealing with this challenge." (words in brackets added).

Even the worst-case scenarios proposed by mainstream climate scientists may not be as bad as Gore would have us believe. Even if ocean levels do rise by five meters they would not deluge all or even most of the mankind. That rise is more than eight times the United Nations Intergovernmental Committee on Climate Change expects sea levels to rise. It is also twice as much as is physically possible. Nobody will say that even the rise in ocean levels that the consensus models on climate change predict will be a trivial problem. That kind of rise would affect about 400 million people and force relocation of 15 million out of that number. The rest would require costly protection. Yet the cost in terms of adaptation would be close to 1 per cent of the world GDP. That would not make heavens fall even if global warming goes unchecked.

Lomborg points out that there are many potential solutions to other serious problems too. Yet we do not implement them. For example, road accidents each year kill about 1.2 million people. Insurance cost, apart from human anguish, amount to half a trillion dollars each year. This problem could be solved if we limit the speed to five miles per hour every where. But do we do this? Human life can be saved from terrorism by incurring tremendous security cost involving deployment of untold number of security personnel tightening security checks every where. But what ever we do, shall we be able to eliminate terror attacks? Again, are we prepared to that?

Lomborg suggest that we should be realistic about climate change and global warming dangers. For example, biofuel that helps reduce carbon emissions requires for its production ethanol. Ethanol requires corn to produce it. Diversion of corn to produce ethanol in sufficient quantities will push up food prices because corn is staple diet for a number of people over the globe. The diversion of corn would leave about thirty million more people malnourished. If we increase the arable area of land for corn production it would lead to destruction of rainforest to the extent that carbon emissions into the atmosphere would grow substantially over the next hundred years. We, thus, cannot solve the problem of global warming by making superficial and artificial changes, just as we cannot solve the problems of traffic deaths or destruction of human life from terror bombs, we cannot solve the problem of global warming by taxing, persuading or coercing carbon emitters too much. And that may not be effective or necessary in the end!

PEOPLE

Corporate leaders need to always actively engage in and about that enigma—people. It is ultimately the human beings who, as the human race in the course of its race, dreamt of the corporate engine for creating human welfare. It is through people and for people that people work the corporate edifice. It exists for the fulfillment of their wants and needs, craze and greed. People are crazy and needy for happiness, that elusive, yet sought after conception or ideation. Amartya Sen, while writing in *The Idea of Justice,* gives the following economic ideation of happiness:

Happiness

"Happiness, important as it is, can hardly be the only thing that we have reason to value, nor the only metric for measuring other things that we value. But when being happy is not given such an imperialist role, it can, with good reason, be seen as a very important human functioning, amongst others. The capability to be happy is, similarly, a major aspect of the freedom that we have good reason to value. The perspective of happiness illuminates a critically important part of human life.

In addition to its own importance, happiness can also be seen to have some evidential interest and pertinence. We have to take note of the fact that the achievement of other things that we do value (and have reasons to value) very often influences our sense of happiness – generated by that fulfillment. It is natural to take pleasure in our success in achieving what we are trying to achieve. Similarly, on the negative side, our failure to get what we value can be a source of disappointment. So happiness and frustration relate, respectively, to our successes and failures to achieve the fulfillment of our objectives – no matter what these objectives are. This can be of great circumstantial relevance in checking whether people are succeeding or failing to get what they value and have reason to value.

This recognition need not, however, lead us to the belief that we value the things that we do value just for the reason that not getting them would lead to frustration. Rather, the reasons that we have for the valuation of our objectives (no matter how remote these objectives are from merely seeking happiness) actually help to explain why we may sensibly feel happy about achieving what we are trying to achieve, and frustrated when we do not succeed. Happiness can thus have indicative merit in being, typically, related to our successes and failures in life. This is so even though happiness is not the only thing we seek, or have reason to seek.

Utilitarianism

"I return now to the treatment of happiness in economics in general and what I called welfare economics in particular (dealing with the well-being of people both as a subject of interest and as guide to policy-making). Utilitarians, such as Bentham, or Edgeworth, or Marshall, or Pigou, saw no great difficulty in asserting that the ranking of social goodness and the selection of what is to be chosen must be done simply o-es must involve and include the marginalized, disabled people inside and outside the organization. Real and stable growth demands that a corporate must carry the purpose and work ethics deep inside 'the bottom-of-the-pyramid'.

Social Justice

Inclusive growth, as a national policy, is based on the need to diagnose and reduce injustice to marginalized and neglected social strata. Corporate social responsibility, as an inextricable ingredient of good corporate governance, is aimed at using the corporate power to achieve economic progress together with social justice. Social justice is a fundamental Directive Principle of national governance enshrined in the Constitution of India. Discharge of corporate responsibility by an enlightened corporate is supposed to ensure contribution to reduction of social injustice. This, as a matter of course, requires diagnosis of social injustice before corporate policies can be framed alluding to corporate's social responsibility and its discharge.

Mute and Un-mute

On May 5, 1789, just before the French Revolution happened, the British political philosopher and orator Sir Edmund Burke said speaking to the British Parliament: " An event has happened upon which it is difficult to speak and impossible to remain silent." Burke was referring, not to the impending French Revolution, but to the doings of the first company that was set up in India—the British East India Company. He was speaking on the impeachment of Warren Hastings, who was then commanding the British East India Company. In impeaching Warren Hastings, Burke invoked the eternal laws of justice that Hastings violated as the Company was setting up British rule in India. His famous quote cited earlier resembles what was said by a marginalized and almost illiterate Indian peasant having a farm near Poet Rabindranath Tagore's Shantiniketan when Prof. Amartya Sen talked to him. The peasant said: "It is not difficult to silence us but this is not because we cannot speak." Prof. Amartya Sen believes that good democracy and social justice are coextensive. Democracy, after all, is government by discussion [an approach made famous by John Stuart Mill] and justice can be achieved only through removal of injustice. It is only through open public discussion that we can understand demands of justice, and particularly of the removal of injustice. Burke, while speaking on the impeachment of Hastings spoke eloquently not on one misdeed of the East India Company in India under him but of many such misdeeds. It was surmised that the first company to be set up in India was violating its corporate responsibility by refusing to reduce injustice if not by propagating social injustice. To the students of corporate governance and corporate social responsibility, the example of the first Indian company would certainly be of interest. Edmond Burke proceeded from there to present simultaneously a number of separate and quite distinct reasons for the need to indict Warren Hastings and the nature of the emerging British rule in India.

What needs to be understood here is, what is central to the idea of justice. Amartya Sen in his book "The Idea of Justice", says "what is central to the idea of justice is that we can have a strong sense of injustice on many different grounds, and yet not agree on one particular ground as being *the* dominant reason for the diagnosis of injustice."

Skepticism

Giving the philosophical analysis of injustice Sen quotes W B Yeats, regarded as the poet of the 20th century. Yeats wrote in the margin of his copy of Nietzsche's Genealogy of Morals—"But why does Nietzsche think the night has no stars, nothing but bats and owls and the insane moon?" Nietzsche's skepticism about humanity and his chilling vision of the future were presented just before the beginning of the twentieth century [he died in 1900]. The events of the century that followed, including world wars, holocausts, Hitler's genocides and other atrocities, give us reason enough to worry whether Nietzsche's skepticism of humankind might not have been just right! Indeed in investigating Nietzsche's concerns at the end of the twentieth century Jonathan Glover concludes that we 'need to look hard and clearly at some monsters inside us', and consider ways and means of 'caging and taming them'.

Tolerance

An interesting contrast can be seen in the much earlier deliberations of the Mughal emperor Akbar at a point of even millennial rather than merely centurial interest. As the first millennium of the Mughal Hijri calendar came to an end in 1591-2 [it was a thousand lunar years after Muhammad's epic journey from Mecca to Madina in AD

622], Akbar engaged in a far reaching scrutiny of social and political values and legal and cultural practice. He paid particular attention to the challenges of inter-community relations and the abiding need for communal peace and fruitful collaboration in the already multicultural India of the sixteenth century. “We have to recognize how unusual Akbar’s policies were”, writes Prof Sen, “ for the time, The Inquisitions were in full swing and Glordano Bruno was burnt at the stake for heresy in Rome in 1600 even as Akbar was making his pronouncements on religious tolerance in India.” The basis of principle of secularism enshrined in India’s Constitution is to be found in Akbar’s mature thoughts. Not only did Akbar insist on that the duty of the state included making sure that no man should be interfered with on account of his religion and anyone was to be allowed to go over to any religion he pleased. He also arranged systematic dialogues in his capital among Hindus, Muslims, Christians, Parsees, Jains, Jews and others. Taking note of the religious diversity of his people Akbar laid the foundations of Secularism in India. Akbar’s overwhelming thesis was that the pursuit of reason is the way to address difficult problems of good behaviour and the challenges of constructing a just society. He argued for the need for everyone to subject their inherited beliefs and priorities to critical scrutiny. Akbar took reason to be supreme, since even in disputing reason we would have to give reasons for that disputation.

Diagnosis

To recapitulate Prof. Sen’s idea, his hypothesis was as follows: What is central to the idea of injustice is that we can have a strong sense of injustice on many different grounds, and yet not agree on any particular ground as being the dominant reason for the diagnosis of injustice.

The underlying issue, according to Prof. Sen, is whether we have to agree on one specific line of censure for a reasoned consensus on the diagnosis of an injustice that calls for urgent rectification. He makes a vibrant statement in regard to social injustice that must be remedied. “At the heart of a particular problem of a unique impartial resolution of the perfectly just society is the possible sustainability of plural and competing reasons for injustice, all of which have claims to impartiality and which nevertheless differ from—and rival—each other.”

Proof of Hypothesis

Prof Sen gives a poignant example to prove his hypothesis:

A, B and C, three children make competing claims for a flute. A claims the flute on the ground that she is only one of the three who knows how to play it [the others do not deny this], and it would be quite unjust to deny the flute to the only one who can actually play it. If that is all you knew, the case for giving the flute to the first child would be strong.

There is, however, an alternative scenario. B defends her case for having the flute by pointing out that she is the only one among the three who is so poor that she has no toys of her own. The flute would give her something to play with [the other two concede that they are rich enough and well supported by engaging amenities]. If you had heard only B and none of the others, the case for giving it to her would be strong.

There is one more alternative scenario. C points out that she has been working diligently for many months to make the flute with her own labour, [the others confirm this], and just when she had finished her work, 'just then' , she complains 'these expropriators came along to try to grab the flute away from me'. If C' statement is all you had heard, thinks Prof Sen, you might be inclined to give the flute to her in recognition of her understandable claim to something she has made herself.

The three have different lines of reasoning and it is a difficult decision you have to make. Theorists of different persuasions, such as utalitarians, or economic egalitarians, or no-nonsense libertarians, may each take the view that there is a straightforward just resolution staring us at here, and there is no difficulty in spotting it.

It is not easy to brush aside any of the three points of view as foundationless. The first is based on the pursuit of human fulfillment. The second is based on the case for removal of poverty. The third is based on the just entitlement to enjoy the product of one's own labour. The different resolutions all have serious arguments in support of them. It may not be possible to identify without some arbitrariness, any of the alternative argument as being one that must invariably prevail.

Complex Idea

In his book "The Idea of Justice" Prof. Amartya Sen says that justice is a complex idea. He refers to the concept of justice as a fair treatment to everyone. This connection between justice and everyone being treated fairly was postulated by the political philosopher of our time, John Rawls. Prof. Sen argues that Rawls neglected a couple of important connections. Rawls overlooks the central recognition that a theory of justice has to be deeply concerned with systematic assessment of how to reduce injustice in the world, rather than only with the identification of what a hypothetical "perfectly just society" would look like. Perfect justice will hardly be achievable even if people did agree about what would be immaculately just. But we can certainly have reasoned agreement on many removable cases of manifest injustice. These are slavery, subjugation of women, poverty, widespread hunger, lack of schooling of children, and absence of available and affordable healthcare.

Corporate Lesson

The lessons that corporates can learn from Amartya Sen's "Idea of Justice" is that as responsible active citizens of the nation, they must ensure that their actions do not harm social justice or create social injustice as Warren Hasting's British East India Company did. Further they have to be proactive in removing injustices that surround them in the society of which they are a part.

People Within

It is the providential responsibility of a corporate to develop the people potential within the corporate itself. Otherwise how does a corporate create wealth and happiness at work? It is governance responsibility to keep all people passionate about the purpose of the corporation.

Omar Khan and Paul B Brown define *Passion* to mean the voluntary will to engage completely the inner energy drive and desire to deliver, to achieve, and to win. [*Liberating Passion—How The World's Best Global Leaders Produce Winning Results*]

Although much has been written and discussed about how to *build* passion, there seems to be a mistake. The presence of passion is natural. *Its absence is what is profoundly unnatural.* Passion is the sensitivity of the highest order. As a baby you have it in abundance.

The real problem is not how to build passion. The real problem is to understand how the human race and organizations *kill* it. Companies tend to become excessive passion *killers.* They are passion castrators in many ways. This tendency is fed into them by tradition-bound insensitive society in which companies work.

Companies lack learning mentors. Without such a mentor or a coach, people try to apply what worked in their last position or when they lived outside. They don't gain new skills, aptitudes or different ways of thinking. If they happen to produce results, it is often by compensating for what they *haven't* developed. They get job done only dysfunctionally. Organizations often stunt collective learning. *This creates a vacuum rather than a living culture.* Though these un-mentored and un-coached managers may cultivate a knack of producing some results, the opportunity cost, the human debris and *the collective unfulfilled potential along the way, can be devastating.*

Leadership is about how we relate to others, how we engage, mobilize, focus, and unite each other—or fail to.

Commercial

In real life corporate scenario you always find a conflict between creative people and commercial (business) people. They are respectively called the right brain people and the left brain people. Business people look at the creatives as quirky and arrogant who fail to understand the realities of business. Creatives consider business people to be cynical and overbearing with no appreciation of the creative process. Organizations need innovation; they need creativity; they need to unlock value, as they are creators and deliverers of value. But they need to do so especially when a downturn is expected or when they find themselves in the midst of a crisis. Therefore leadership learns to strike a balance between the right brain functioning and the left brain functioning within the organization. You need to create cross-functional teaming that fosters empathy between creatives and non-creatives. Leaders try to achieve this empathy especially during peace time. As they say, when you bleed more during peace time, you sweat less during war time.

Khan and Brown prescribe the idea of radical conversation as a way to achieve synergy between the creatives and the commercials.

Internal Change

As Arie de Geus puts it, "managing for fundamental internal change is far less gratifying than managing for growth… perception to an individual is an active engagement with the outside world and in a company it is similarly active. Perception requires a deliberate effort by management groups within the company to 'visit their future' and develop time paths and options. Making this effort is easier for an individual human being than for a company, because the brain is hardwired to perform this sort of active engagement." [*The Living Company,* pg. 43 and 47]

We have to eliminate the division between who we are and what we do. We have to learn to convert leadership from a set of grand intentions into a wonderful way to engage and evoke the best in each other. *We have to stop "educating passion out of people.*"

Learning

Learning does not take place when one has memory of the past or of the future in one's mental frame. Cognitive impulses block learning. Mental cognitions that recognize external signals for which structures are already in place in the mind do not constitute learning. Creativity does not develop in a reactive learning situation. The British psychologist Dr Winnicot of the British Tavistock Institute fought for three decades to establish this. He developed what is today pratised as Learnng by Accomodation. Organizations must accept and adopt this if Human Potential Development is to happen. It is their responsibility,

Reactive Mindsets

When we take a step back, we can see why passion killers abound and are so devastatingly omnipresent. In passion-killing events every (almost) undertaking is trivialized in to a set of technical actions, formats, formulae and injunctions. They are just not sufficient for summoning human capability, energy and imagination. It is only by grappling with this fundamental of barriers that we can get to the passion liberators. [Liberating Passion—by Omar Khan—Times Group Books] These passion liberators are interactions, behaviors and tools that can take us forward to the vision and culture we truly want. They energize our potential—which is ultimately what passion and so much of leadership are all about.

Passion killers remain in place, despite their evident destructive impact, because to confront them would require *reengineering fundamental attitudes and beliefs that show up most evidently in relationships.* There is a level and quality of conversational and relational leadership required to achieve and sustain change and improvement until it becomes truly integrated.

Tell Truth

We need, *first,* to tell the truth early, openly and courageously. People speak of brutal honesty; Khan feels honesty is the best tool to re-invent "what is" and to help each other really win. *Secondly,* we must consult early enough, when ideas are still in development, before there is excessive emotional attachment to them. *Energy be spent on consultative co-creation rather than frenetic advocacy and after-the-fact critical cross-examination. Thirdly,* empowering relationships requires asking the question whether "once our action is aligned, do we move fast from decision to action?" *Fourthly* powerful collaboration must make us more than the sum of our parts.

See-Through

According to Khan the first passion liberator is intimacy. That means "*into me see*," an invitation to be known and an eagerness to get to know the colleagues. For, we are all a work in progress. And that is indeed "okay" as long as we can share that and work on it *together.*

A team that supports its members past defensiveness is a team that can as a result have more bracing, gustier, crucial conversations that can move the corporate performance powerfully forward. Intimacy tops the list of passion liberators and is the ultimate bedrock of empowering relationships. If one creates intimacy one gains a deep and authentic insight into the needs, challenges and strengths of those one works with and offers others a corresponding insight into oneself. We can appreciate and constructively challenge each other. Having recreated healthy relationships, we then will face the truth, improve ideas together, act with alignment, and become more together than we are apart. If we do that passion killers either won't form or will eliminate— fast.

Masks

This requires an exercise: "*sharing our masks*". A "mask" is simply an appearance. When people don't know us, our mask is simply how we appear to them. We project and protect an image. We protect an aura of independence. It is very hard to get anyone to confess this. When masks are shared, it is possible to communicate without distortions and *more* from our authentic intent and selves.

For better communication to happen, it is necessary to have radical conversations among team members. A radical conversation is one that goes to the root of one or more of our issues, opportunities or challenges. This will help making it clear what and where the "bull's eye" lies. The foundations of good relationships become strong. The company progresses on the basis of the quality, audacity, depth, imagination, and the courage of its conversations.

In our education system, the test of intelligence is to win a debate and to find what's wrong in the other person's position. This is egotistically gratifying; but reinforces the dead-end as nothing moves forward. *Creativity is finding a way not confirming a barrier.*

Eat Thyself

The authors say that in fact it is "*self-cannibalization* that fosters creativity (not, self-aggrandization). You have to create the *possibility focus* and *the provocative future.* The authors give the example of Jack Welch who took the entrenched process of budgeting, for example, and improved how his team did it. He made it become a "swing for the fences" exercise and a way to allocate resources for breakthroughs. Budgeting did not remain a mere "negotiation" that landed the iterative "last year plus 10%" that is the bane of so many businesses. As a leader you have to remove the barriers to passion for work.

Real Solution

The real solution to the problems of mankind will come from releasing the creativity of people. The creativity which is already in them is crippled by the system of education. Generally, it is observed that the education system prepares people to think mechanically. They will think either vertically or in a mechanical manner that makes them copy cats. They would normally follow established tracks. They will respect age, seniority, tradition, the set ways of conducting affairs. They will play safe; but, in doing so, they will create horrible dangers to life, property and unexplored possibilities. Be it climate change, traffic deaths, terrorism, governance failures, financial crisis; — all problems and any problem is solved only superficially or artificially. It is said that such solutions to problems lead to different and further accentuated problems. Even training programmes, management developments programmes, director orientation programes etc. are designed and conducted generally for statistical purposes only. Seldom the value created by such programmes is tested and measured. Such a culture will create only a bounden 'human resource'. Such an approach will not release incredible human potential that does exist by the order of the Providence. It is therefore necessary to change the approach; create a system of belief; question the assumptions; and go beyond logic and traditions.

Example at Semco

In the context of passionate leadership style and the longliving company concept, to end, It is also suggest we read through *Maverick* the autobiography of a business as well as a businessman, Ricardo Semler, Chairman of SEMCO, one of Brazil's largest conglomerates. It was first published in Brazil in 1988 as *Turning the Tables* which became the all-time best-selling nonfiction book in Brazil's history. Semler is the son of an entrepreneur who enters the family business and transforms it into a multi billion dollar business empire. What is unusual is the way he developed management, labour relations and the work environment to achieve these goals.

Among many 'radical' policies, Semler let his employees set their own hours, design their workplace, choose their own IT, share all information and have no secrets. Every six months bosses are evaluated by their subordinates and the results are posted. Semco has a policy of complete internal financial openness, even teaching factory workers how to read accounts so they can understand the company's books. Salaries are public information unless the employee requests they not be published. In addition, all employees can set their own salary. In doing so they must consider what they think they can make elsewhere; what others with similar skills and responsibilities make in the company; what friends with similar backgrounds make and how much they need to live on. Semco doesn't have receptionists, secretaries or personal assistants, regarding them as unnecessary.

Each business unit is small enough so that those involved understand everything that is going on and can influence the outcomes. Starting out as a manufacturing company, Semco allowed its workers to set their own production quotas and found that employees would voluntarily work overtime to meet them. Profit sharing is practiced right down to factory floor level, instead of large bonuses only for senior management. Semler eventually retired from all executive positions at age 33.

Rather than mere theory, Semler's ideas have all been tested in practice.

Semco seeks to streamline and simplify processes and avoid complicated manuals. For example, the Semco company manual in an appendix is a brief comic book!

Leadership, in order to be effective in producing good results in the long run, may or may not be as dramatic, yet miraculous as at Semco. Leadership is essentially innate and vigorous life-force. It creates life in life, good cheer even in calamities, restraint and rededication in boom times, all-round engineering in hard as well as soft matters. In crux, it is subtle and not gross although it may, sometimes, appear to be so. It hard-drives; and, yet, appears to be soft-peddling. It is, sometimes a sweet childlike arrogance. It creates followership making the followers feel that, in reality, they are in the saddle.

Social Entrepreneurship

Community, or its larger existence, the society, is the springboard of corporate identity. Corporate roots draw their succor from it. Although it should nurture and protect its notion of independence and social leadership with all vehemence, a corporate should remember that it cannot exist out of air. It should not therefore wear the air of corporate ego or arrogance.

The use of the expression 'responsibility' may be too crude for a corporate's social interface. That may then signify societal arrogance vis-à-vis the corporate. Neither should wear that threatening or supercilious mask. The articulate concept of corporate social entrepreneurship ('CSE') emerged. That invokes a corporate's adventurous spirit towards social up-lifting or social emancipation coupled with the corporate flight to sustainable glory. There the two become one or merge for mutual benefit. Through CSE Both benefit in a sort of a crisscross manner.

Organizational

A great passionate organizational effort needs to go into making CSE as a good corporate habit. Building advanced and powerful relations with the members of the civil society, CSE will expand the core of corporate purpose and organizational values into society. CSE has to shape a fundamental change that will naturally create a feeling of being threatened and consequent resistance. This is because organizational skillsets are not yet developed in the area of social valueshaping. CSE requires disruptive social innovations. That creates discomfort. But for business to become *sustainably* successful it is necessary to provide values-based leadership that creates a synergy between economic and social values. That will involve tapping into the creativity of each individual and a release of enormous passion that is intrinsic.

Leading involves liberating positive passions among the team members to create and to contribute to organizational purpose and societal enrichment of the people, by the people and for the people.

Conclusion

The Paper seeks to establish that Planet, People and Profits are all in fact an integrated one of corporate achievement. One happens or gets nourishment because the other is sustained. They will mutually draw sustenance and enrichment. When that is made to happen, corporate fulfillment is guaranteed. Good governance requires corporate longevity as a matter-of-course goal. In that measure, from the integrated Planet-People-Profit angle, the best corporate existence is thankfully yet to happen perhaps. But that opens vast doors and challenges to governance professionals like Company Secretaries, corporate leaders and directors. If the new paradigm is successfully implemented these governance professionals will prove that they are worth their salt. Challenges are vast, silent and inviting. It is up to us the governance enthusiasts, how we respond. Obviously, we *will* respond positively. Together, we *will* make it happen.

NEW CORPORATE GOVERNANCE IN THE POST - CRISIS WORLD*

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The paper is based on the book "New Corporate Governance", 3rd Edition, New York 2009, by Martin Hilb. This book is published in English, Chinese, Vietnamese, German, Spanish and Portuguese.

What's "new"

Based on the results of board evaluations conducted in various business sectors, the following main weaknesses of current corporate governance practices have been identified:

- most national corporate governance guidelines propose a "one size fits all" approach which is dangerous; it may support good governance, but it does not guarantee that the governance of a firm will become great;
- there is a lack of strategic direction in much of board practice;
- board selection, appraisal, remuneration and development often lack integration and professionalism; and
- often there is a lack of in-depth know-how in risk-management at board level.

This paper presents an integrated corporate governance framework called "New Corporate Governance", which is based on a reversed KISS-Principle:

Keep it

- **S**ituational
- **S**trategic
- **I**ntegrated and
- **K**eep it controlled

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This holistic framework for the direction and control of enterprises tries to overcome the above stated weaknesses of Corporate Governance in the post crisis world. What is “new”, you may ask?

The New Corporate Governance framework integrates the interests of shareholders, customers, employees and the public. The framework comprises four parts which are presented in this paper.

I. Keep it Situational : The Board as Change Agent

As a result of the many corporate scandals that have taken place around the world, best-practice corporate governance guidelines have been developed In most countries.

This is a positive development, although the following issues should be noted:

i. the Anglo-American model of governance is being promoted as the global standard,

ii. soft laws do not necessarily address the soft dimensions of a firm (in other words, laying down a new soft law does not replace the need for integrity in board relationships ond processes),

iii. best-practice guidelines are typically designed for large, publicly listed firms (and hence they are often not suitable for small firms), and

iv. good governance guidelines do not guarantee great governance practice.

In adopting corporate governance guidelines developed elsewhere, companies should be aware of the fact that best-practice guidelines for:

Listed companies	≠	**Non-listed companies**
Large companies		Small companies
Public companies		Family-owned companies
Bank governance		Hospital governance
US companies		British companies

Table 1. Keep it situational

Hence, we base our approach on the principle: keep it situational. There is no "one-size-fits-all" corporate governance approach,

2. Keep It Strategic: The Board as Value Driver

We propose four main preconditions for success in developing, implementing and monitoring corporate strategy:

i. a strategically targeted composition of the board team,

ii. a constructive and open-minded board culture,

iii. an effective board structure, and

iv. shareholder and stakeholder oriented board measures of success.

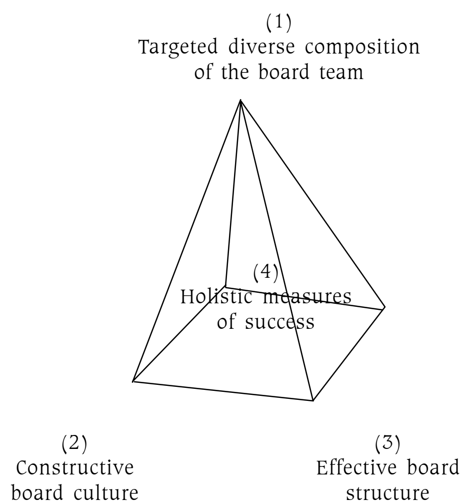


Figure 1. Keep it strategic

These four components have to be integrated in a process, as shown in Figure 1. At each of the different levels, success measures are to be established relating to the important stakeholder groups, and then the responses of members of these stakeholders' group are to be measured periodically in order to assess the performance of the company leadership.

In the following sub-sections, each of the four preconditions for successful development and implementation of corporate strategy are discussed.

A well-diversified hoard team

Peter Senge asked the question: "How can a team of committed board members with individual IQs above 120 have a collective IQ of 60?" The question could be restated as: "Where do good ideas on boards come from?" In response, Negroponte—Founder of the MIT Media Lab—says: "That's simple... from differences."

Together the above quotes are indicative of the fact that differences are an essential part of the strategic potential of a team, and that too many boards have failed to create adequately diversified teams. Our suggestion for building differences into board composition is to mix disciplines, team rotes, demographic variables and stakeholder parts.

Well-diversified board teams consist of members representing all relevant:

- functional competences (e.g. auditing, risk management, HRM, marketing),
- team roles (e.g. a controller, a critical thinker, a creative thinker),
- demographic data (e.g. age, gender), and internal and independent members.

stakeholder "hats" such as customers, shareholders, employees, society/environment.

Each board member has to cover various aspects at the same time, e.g. Functional Know How: Risk Management/Team Role: Critical Thinker/Membership: Independent/ Social Data: Very Experienced Female/Stakeholders "Hat": Shareholders.

A constructive and open-minded board team vulture

We suggest that an effective board culture should consist of five factors: an outward, learning orientation; a holistic perspective; a consensus orientation; a constructively open, trusting environment; and a mix of global effectiveness and local adaptability [we refer to this as "glocal").

An effective hoard structure

Our experience in board management reveals two extreme ways of structuring board teams:

- a large board, operating through a number of different committees (such as Auditing, Nomination or Remuneration Committees), or
- a small board of professionals.

We recommend a third way:

a small, legally accountable, weli-diversified board team, comprising a maximum of seven members (including an independent Chairperson, independent members and the CEO). We recommend that the board conducts its activities through only two committees: an integrated audit and risk management committee and an integrated board management committee which is responsible for nomination, feedback, remuneration and development of the board and top management.

In addition, large public companies can add a large network council (not legally accountable) whose members work in small projects teams, each of whom is coached by one of the independent board members.

Shareholder and stakeholder measures of success

A combined team of supervisory and managing board members need to develop, implement and evaluate a shareholder—and stakeholder-oriented board vision. Such a vision should:

- provide a roadmap for future direction,
- generate excitement about future direction,
- instill confidence and trust in leadership, and
- offer criteria for success.

If corporate success is measured against such a vision, it will necessarily reflect both shareholder and stakeholder measures.

The following statement can serve as an example of a normative guiding principle:

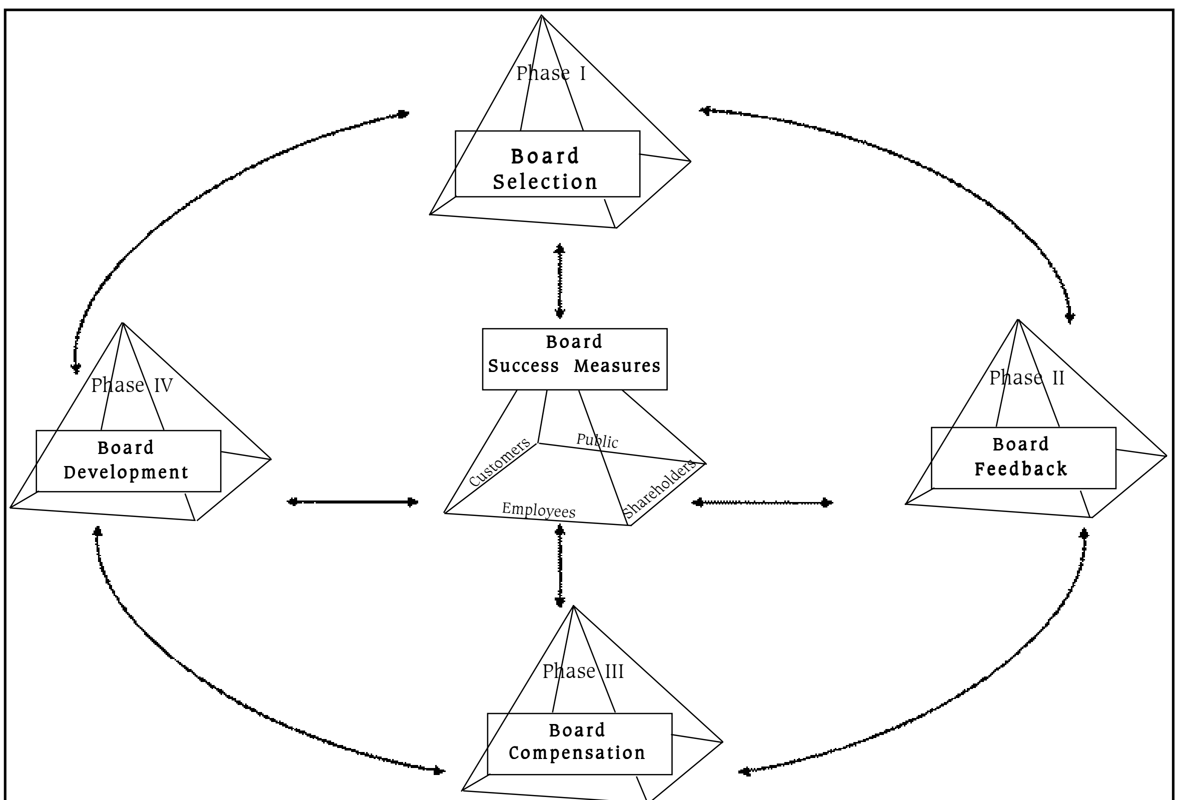
"The primary role of the board of directors of this company is to help create long-term value for its shareholders, customers, employees and society. The board believes that the company should rank In the top quartile of peer companies in total shareholder return (including Ihe cost of capital), as well as in voluntary loyalty levels of customers, employees and society as measured over 1 and 3 year periods."

This strategic direction function is the basis for the targeted selection, evaluation, remuneration and development of board members and top management which will be described in the next section.

3. Keep it Integrated: The Board as A Team

In order to achieve the conditions required for strategic board management described in the last section, four key processes are recommended: targeted selection of members of the supervisory and managing boards, targeted feedback on their performance, targeted compensation and targeted development [illustrated in Figure 2).

Figure 2. Keep it integrated



In the following sub-sections we discuss the elements of Figure 2 in more detail, commenting on key principles and practices that can be used in their implementation.

Phase I : Targeted board selection

The use of a one-page interview schedule is recommended to guide the specific selection of board members. The interview schedule aims to score the potential of the interviewee on a number of criteria (such as Personality, Social, Professional and Leadership Competencies) from the perspective of at least three interviewers (at the level of Chairperson, the CEO and another board member]. After the interviewee has been through at least two rounds of interviews, the interviewers hold a short meeting during which they attempt to reach agreement in the score awarded for each item on the schedule. Where a consensus cannot be met, further investigations are to be made into the nature of the response. A suitability ranking is drawn up on the basis of the final evaluation of each item.

Phase II : Targeted board feedback

After board members have been selected, it is natural to introduce an effective feed-back program for board members.

We recommend that feedback be linked to the collective performance of the supervisory board and the individual performance of the CEO. In each case, there are a number of dimensions on which the performance can be evaluated.

Targeted board feedback is only suitable if positive performance is rewarded and actions are taken to address development requirements.

Phase III : Targeted board remuneration

Board members should be compensated in such a way that they perceive equity based on internal, external and corporate performance benchmarks.

The total net compensation package of a board member can be divided into fixed (e.g. 40 percent] and variable (e.g. 60 percent] components. The variable component can be made up of several measures of performance including:

- long-term financial performance (3 years),
- comparative value indices (e.g. 50 percent EVA, 20 percent customer loyalty, 20 percent employee satisfaction and 10 percent public reputation), and
- functional performance assessments (20 percent board committee performance; 30 percent individual board member performance; 50 percent corporate performance).

An important guiding principle in board remuneration is that every board member expects financial compensation to be fair. Modifications of the package above or below fair reward are unlikely to result on better performance, since board members are generally driven by intrinsic motivations (Frey, 2004). Thus, adequate and fair rewards are important prerequisites for good performance, but motivation is primarily affected through immaterial reward of good performance.

Phase IV : Targeted board development

Past board evaluations conducted by us have shown that in quite a number of leading companies, management and board succession planning is not discussed in depth at the board level. The board should ensure that development programs are in place to enable the company to offer 80 percent (for example) of all vacant key positions in the company to internal candidates. In this regard the approach of having the CEO and her/his direct reporting Vice Presidents present their succession plans to the board once a year has proved successful.

This procedure creates an opportunity for division heads to make a presentation to the board, socially. If an opening arises at the top management level, the board will be well prepared and can use the same form as that used for the targeted selection of external candidates.

4. Keep it Controlled : The Board as Controller

In this integrated approach, the controlling or monitoring board dimension encompasses the following functions (see Figure 3).

It may also be sensible to formulate some essential questions in a board meeting, about which board members should be continually informed. For example:

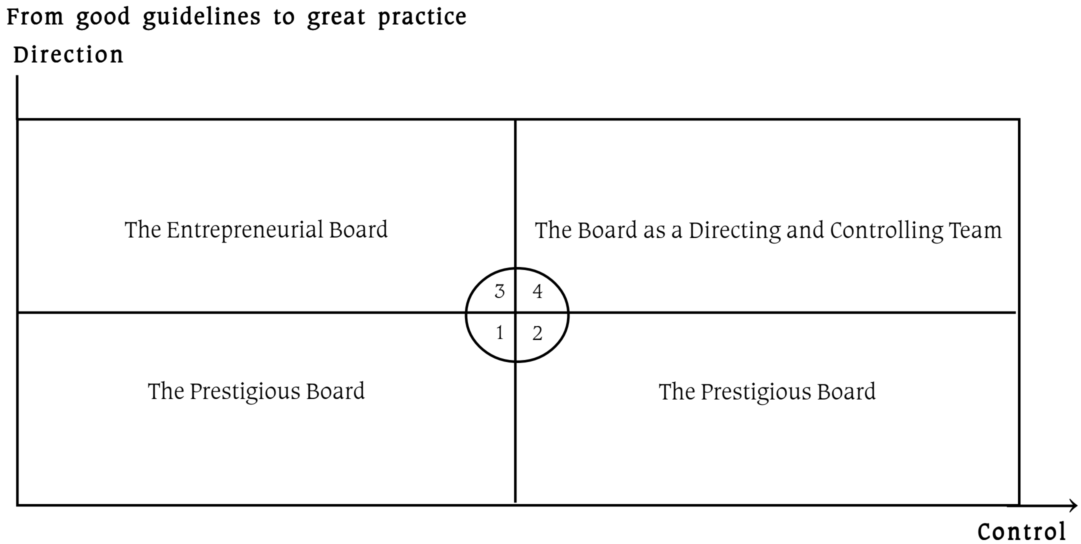
- Where is shareholder value being created and destroyed in the company ?

Figure 3. Keep it controlled

- What are the major risks to which the company is exposed ?
- What is the level of employee morale and voluntary ioyalty compared to competitors ?
- What are the threats to customer satisfaction and customer loyalty compared to competitors ?
- What is happening to our corporate image ?
- How does our strategy differ from that of our competitors ?
- How is our stock viewed by the analysts who cover us?

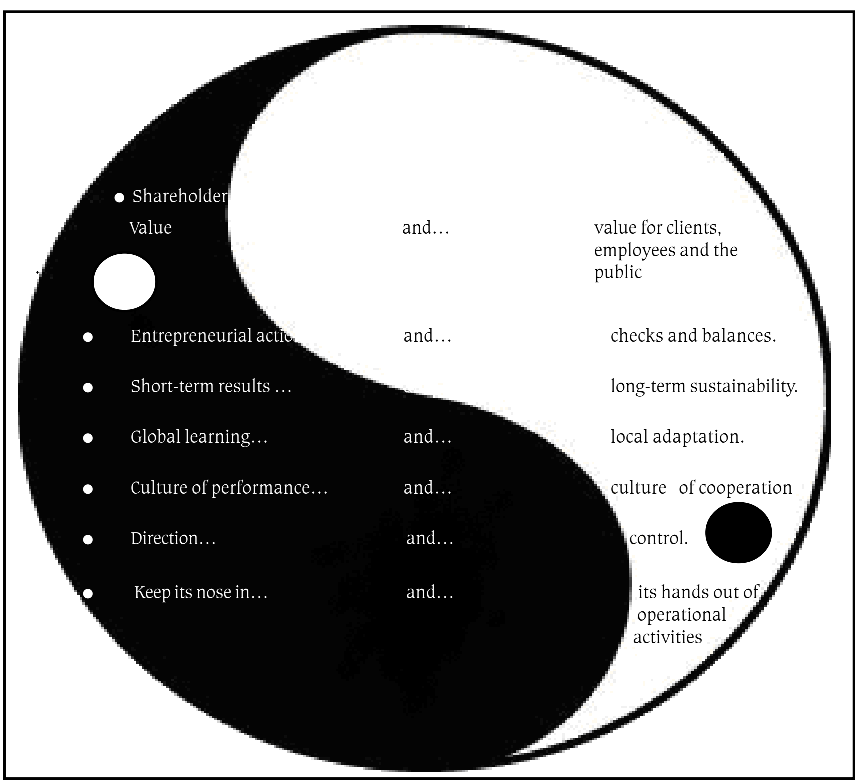
Last, but not least, the board has to evaluate board effectiveness on an anual basis.

Figure 4. Development levels of Boards



This paper presents a “Both-And” approach called “New Corporate Governance”. The objective of this approach is to overcome the “Either-Or” thinking that currently dominates corporate governance theory and practice, based on the principle espoused by F.S. Fitzgerald that: “The test of a first-rate [board] intelligence is the ability to hold two opposing ideas in mind at the same time, and still retain the ability to function.”

An effective board tries to balance both :



It remains to be seen whether boards have the will and resources to transform themselves into true directing and controlling teams; changing their orientations from corporate administration to corporate control-preneurship. The result of this challenge will determine whether companies will be among the winners or the losers in the face of global change and competition.