

Convocation address at the IIM Calcutta

April 18, 2013

I was the Chief Guest at the 48th Annual Convocation of the Indian Institute of Management, Calcutta, and I thought I would share some parts of my Convocation address with colleagues in TERI because they apply as much to an institution like IIM, Calcutta, as they do to TERI.

"Over three decades ago I was at the Administrative Staff College of India at Hyderabad. At that stage I got to know Professor S K Chakraborty, who later took IIM Calcutta into teaching and research in the field of ethics and human values in management science. I believe his work has now taken the form of a Management Centre for Human Values at the Institute, which draws from the wealth of knowledge available to us on the subjects of philosophy and ethics. I believe this is IIM Calcutta's unique contribution to the evolution of management science not only in this country but worldwide. I have always felt that after independence, this country never really saw a dialogue on the type of economic structure we should create, and much less the kind of management ethos we should pursue. We were fascinated to start with by the example of the then Soviet Union and its emphasis on heavy industry and government control of the industrial process, so that we saw government assume control of the commanding heights of the economy in this country. But very soon the lure of the US model of free enterprise emerged before us as a model embodying more and more consumption by the individual and household. This soon became the driving force of economic decisions and personal values. With the adoption of free enterprise also came the management practices associated with it as we see in countries which are regarded as the bastions of capitalism. Not much thought and certainly no research was focused on what might constitute a socially responsible form of management for the second half of the twentieth century, particularly for a country like India and for the twenty-first century. It is in this context that I find the many contributions of this Institute as particularly outstanding, and among them the incorporation of human values in management science is truly noteworthy.

The Wall Street Journal published an article in early 2012 with the title "CEOs rake in huge sums when their companies go bankrupt". It found that CEOs of 21 companies that filed for bankruptcy had received a median compensation of \$ 8.7 million, just \$ 400,000 less than the median compensation earned by CEOs of healthy companies. The article also mentioned that when companies go bankrupt the misery is shared among many: bondholders are wiped out, retirees see their pensions and benefits vanish and employees lose their jobs. It goes on to say that some feel no pain at all: CEOs and other top executives of companies that go through chapter 11 receive robust compensation in the form of salaries, stock grants and other benefits.

On the one hand we are told that the reward system in the corporate world compensates their senior persons, and, in fact, everybody down the line based on performance. And yet, the fact brought out in this article clearly reveals that CEOs in companies that failed in the U.S. did not face any disincentives for poor performance. There are also large issue of ethics which have come to the fore in recent years, with some people even going to the extent of stating that the current economic downturn being experienced worldwide was to a large extent the result of unethical decision making on the part of the leadership of several corporate organisations in general and financial institutions in particular. I am raising this issue only because those who graduate from this remarkable institution are certainly going to cover themselves with glory in their performance measured in conventional ways, but more importantly they must strive to set high standards of ethics in decision making which earn them the respect of society at large. Gandhi ji had an idealistic view of the manner in which the owners of capital must function. He regarded them as trustees on behalf of society, because in the ultimate analysis, capital and other resources are really owned by society, and corporate leaders are essentially functioning on behalf of society. The view that I would like to put forward is that in this world of today even the financial performance of a company is far more dependent on societal factors than has been the case in the past. One reason for this is the fact that through our cumulative actions for many decades human society has

impacted on the global commons and the natural resources of this planet to an extent where our cumulative actions are now causing negative effects on business activities as well. And, we seldom acknowledge the vital service that the global commons provide as an input for all economic activities on this planet."

Source: TERI Intranet