



Foundation *for*
Restoration *of* National Values

NEWSLETTER

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How Corporate Enterprises Establish an Ethical Culture

Introduction

For thousands of years, progressive human civilizations around the world have relied on trade and commerce to advance their economic goals. To facilitate trade the Romans and the Mauryans created structures that enabled groups of merchants and craftsmen to function with the blessings and support of their reigning monarchs. Modern corporations emerged from these early beginnings. Companies, as we know them now, emerged from these structures and Royal Charters in Britain, the Netherlands, and elsewhere, over the past 400 years.

Ever since the concept of corporate organizations was formalized by Royal Charter, companies served primarily as vehicles for nations with imperialistic intentions, aiding the advancement of the military and economic might of countries to which the corporation's ownership was linked. Politicians and Business founders such as Peter Stuyvesant (1612-1672), Robert Clive of India (1725-1774) and Cecil Rhodes (1853-1902) actually combined their political heft and economic clout to take further the objectives of their respective Empires. They waged wars and captured resources and territories without hindrance. It was the exploits of such political-entrepreneurs as

Stuyvesant, Clive and Rhodes that gave a fillip to corporate entities becoming instruments of exploitation and the suppression of the rights of people, even as they pursued profits and power.

This tendency continued well into the 20th century. As imperial ambitions forged nations with relatively permanent borders most business organizations operating in these regions focused avidly on the achievement of their financial goals. Not much emphasis was ever placed on *how* the financial surpluses would be made by companies. The Managements of such firms, as also their *shareholders*, were not inclined to delve too deeply into the *factors* that led to the making of financial surpluses. In fact, even the governments of the nation where such companies were incorporated, and where their directors lived, paid little heed to the governance of these entities. Apart from the fact that a blind eye was turned – by the corporate managements and most in their respective governments - to the exploitation of resources and the suppression of human rights, even issues such as product safety and quality, or the longevity and reliability of products, were matters that few enterprises would take up unless they were forced to do so by law.

Fortunately, with the advances that have been made in the establishment of universal rights-based laws, and the understanding that corporate entities need to be regulated, companies are changing for the better. Globally, the Managements of firms realize that they will need to uphold the larger interests of all stakeholders as well as the communities that may be impacted by their functioning, for them to have a *social license* to function. Accordingly, even the environment is treated as a stakeholder. In this day and age, these steps alone ensure that companies have social legitimacy to function, and be compliant with the increasingly stringent requirements of the law.

In the light of these rapid changes that are taking place in the regulatory eco-system around the world, today's businesses understand that they need to establish a culture of ethical decision-making at all levels within their organizations for long-term effectiveness.

What is an Ethical Culture?

An ethical culture in the context of a business enterprise is a consistent pattern of decision-making – at all levels in the organization, from the Boardroom to the shop-floor - that is based on fulfilling the Social, Environmental and Governance Responsibilities of the enterprise. What this implies is that the enterprise will function in a way

that even as it is pursuing its economic goals, it will do so in a way that takes into account, and endeavours to eliminate or at least mitigate, any adverse impacts of all its actions and attendant “externalities”, on the stakeholders of the business.

Many have the impression that an Ethical business organization only focuses on denouncing and avoiding bribery, not indulging in financial wrong-doing, and meeting its fiduciary obligations to its shareholders while ensuring the payment of taxes to the authorities. This is obviously a part of the larger set of pledges and guarantees that businesses make with their key shareholders and the regulators. Yet, these are only a partial list. A full set of responsibilities covering all stakeholders would form the basis of a sound and robust ethical culture.

Establishing an Ethical Culture

Businesses do not become ethical, or progressive, or comply with their Social, Environmental or Governance responsibilities on their own. They have to be *steered* in that direction. The process of steering the organization in the right, ethical direction and then creating the internal structures and mechanisms that support the consistent movement forward in the chosen direction is the result of the following six management interventions. These actions, when taken together and consistently applied within the organization, ensure that an Ethical culture is created and the organization moves ahead unwaveringly on the chosen path.

#1. Setting the tone at the top: Leaders at the level of the Board determine the tone at the top of the enterprise. Firms that are progressive and ethical are so because the Upper Management wants the firm to be that way. They know and understand that issues related to the Social, Environmental and Governance Responsibilities cannot be delegated and have to be articulated at their level. They also understand that for the longevity of the enterprise, they would need to have social, political and legal legitimacy, and that would not be possible if their businesses is not intrinsically ‘Life affirming’. They appreciate that the goods and services they produce and deliver must enhance the Quality of Life of all and not deprive anyone of their legitimate rights.

Accordingly, they communicate the Intent of the Enterprise (in the form of Vision and Mission documents, as well as Ethical Policy Statements) and place a high degree of emphasis on adherence to and compliance with the articulated principles and policies at all times.

#2. Deploying Policy by Aligning Processes and Decisions with Intent: Policies and Statements of Intent, which are issued by Upper Management, are then deployed within the organization. Thereby, the structure, the systems and processes of the enterprise, are oriented and aligned with the direction that the organization has chosen. This also implies that the goals of the various functions in the organization, as well as the Key Result Areas (KRAs) and Key Process Indicators (KPIs) are determined in harmony with the Policies. Decision Rules, and functional Policies and Procedures are written and communicated widely so that all understand the manner in which the enterprise wishes to function and the way in which decisions will be taken.

#3. Training of Employees Consistently: The creation of an ethical culture in any organization requires more than just a one-time communication of Organizational Policy or Intent. All employees – new and old – need to be regularly trained in the overall Intent and Policy of the organization, as well as their own specific functional Rules and Policies, which govern their work. Training is an essential component of ensuring that there is widespread understanding of the key elements of the manner in which the enterprise is to be run and decisions made. Training is also linked to the growth of employees to higher and more responsible positions in the enterprise.

#4. Resolving Discrepant Situations or Decisions: It is normal in large organizations, that may have multiple locations and facilities, to encounter situations which may fall outside of the situations that are covered by the written rules and procedures. In such situations, the rules clearly specify the *manner* in which discrepant situations or decisions would need to be flagged and then resolved; as also the persons responsible would be, for providing clarifications. This assures all decision-makers that they have access to organizational resources to help them in case they encounter a tricky situation. These could also be situations such as a senior executive from a customer firm asking for a bribe, or spelling out illegal or inappropriate conditions for a large order to be received.

#5. Monitoring Performance and Compliance: When the senior leaders of an organization ‘Walk the Talk’ follow the stated policies and rules consistently, they send out a powerful message across the organization that encourages compliance. Accordingly, when the Board of Directors, while monitoring matters of concern to the business, spends time on the performance of the various divisions of the enterprise against the policies and rules, and the extent of compliance, it ensures that all other business heads take a cue and follow a similar pattern of performance monitoring. Furthermore, this also demonstrates the importance that is placed on the ethical conduct of business.

#6: Taking Corrective Action: The process of creating a lasting Ethical Culture is completed when there is in place a system of regularly improving the speed and the pace at which the appropriate decisions are taken that support the Policies of the enterprise. Corrective action also ensures that issues related to conflicts of interest, the improper behaviour of employees or systemic lapses in the organization are corrected so as to prevent the recurrence of errors.

-Bharat Wakhlu
General Secretary, Foundation for Restoration of National Values

Ethical Check to Free Flow of Businesses

Satyamev Jayate - 'Truth shall prevail' - is the motto emblazoned on India's national emblem, The Ashoka Lions. The name of Indian company whose chairman admitted, in January 2009, that he defrauded the company of thousands of crores of rupees is Satyam - 'the truth'. The Nation was shocked because the Satyam was one of India's most admired companies and its chairman and founder, Ramalingam Raju , was a widely respected corporate leader.

Outwardly, Satyam complied with all the formal requirement of good corporate governance. It had eminent independent directors. The board had the required committees. It had internationally respected auditors. For its compliance with form, the company had even won international award for exemplary corporate governance. Shortly before Satyam fraud was exposed, the collapse of Lehman brothers in the US and exposure of weakness in AIG, Fannie Mae, Citibank and many other large financial institutions had created panic around the world. 'The world was dismayed', commented the *Financial Times*, 'the spectacle of bankers driving their institutions into bankruptcy while being rewarded with million pond bonuses and munificent pensions.'

In the cases cited, it is not just the governance of these firms but also the institutions set up to ensure the integrity of the corporate system – the auditors, credit rating agencies and the like – which have failed in their duties to the society. Polls showed a dramatic erosion of faith in business. Three out of four Americans trusted businesses less than they did earlier. Only a third trusted business to do the right thing, half of what it used to be the year before. Businessman pleaded that government should not react to the egregious lapses by a few and impose controls on all. That way the system will be sclerotic, they said. Besides, it will induce corruption of another kind - between the controller and those they must control. Therefore, they pleaded that controls should be voluntary. 'Trust us!' they said emphatically.

The questions that any institution for person who wants to be trusted must ask is 'what is my responsibility towards others especially those whose trust I want?' They must not merely seek smarter ways to produce more wealth for themselves and their investors. The Hippocratic Oath that all doctors take is a commitment to use their skills ethically so as to serve others. Similarly the professional associations that society depends on to voluntarily uphold the standards of their members - whether doctors, lawyers or accountants - are required to ensure that their members deliver the services society expects of them. They are expected to discipline members who break the code and, in the extreme, even debar them from serving. And when they do not have the courage to do this, society must impose controls on them. The problem with business associations is they are unwilling to discipline their own members when they serve society poorly. Since associations, that would penalize its members who transgress, might not attract many members. Members join business associations to protect their business interests and to lobby governments to give them more freedom.

Business leaders, who until 2008 had urged government to stay out of business, are now urging governments to vigorously save businesses. They want government to intervene in the markets but at the same time to keep markets free. This raises questions in the public's mind about what they want markets to be free from. Do they seek freedom from only the barriers to trade? Or freedom even from the government regulations? Or is it freedom from responsibility for their actions?

Using the metaphor of architecture of a house, trust in institutions is the solid roof we all need above us. It gives us the security to live without the fear of bad things 'falling' upon us. Structures are necessary to uphold this roof. When the roof begins to cave in, architects may propose more vertical pillars to support it. Thus, when problems of malfeasance appear in economics and societies, there is demand for more rules and more agencies for regulation and control. The multiplication of such 'imposed' structures and controls reduce the room to move around within the house, thus reducing the freedom of enterprises. Therefore, the architect must conceive of other ways to strengthen the structure that do not require such a plethora of 'top-down' controls. These could be well placed horizontal struts and beams, which strengthens the integrity of the structure while giving space within it.

These horizontal structures are the values by which people relate to each other and the manner in which business conduct itself. Economists say that 'incentives' must be aligned to induce people to behave properly. Economists tend to think of incentives in terms of improvement of measurable financial outcomes for individuals and investors. Therefore, they emphasize the creation of financial wealth and measures 'value' in financial terms. When societies are in trouble, the economists will concentrate on improving the flow of money and investments. Whereas, the present crisis of confidence in the free market system requires that leaders also focus on moral and ethical values.

Much like Arjuna on the battlefield at Kurukshetra, who asked Krishna a series of moral questions - not advice on how to fight the battle, because Arjuna was supremely competent in the art of war - business leaders fighting the recession must also ask what they must change in their approach to business to regain society's trust if they want more freedom in future. Therefore, corporate boards should introspect from time to time, and focus on the values that guide their decisions. Independent directors on the board are not expected to merely provide financial expertise, in finance, law, business knowledge or specialist knowledge of the industry - even though that is often the principal qualification sought when they are added to the board. The notion of independence is emphasized so that these directors also provide a moral check that is built into the system of corporate governance, to warn others, when promoters and managers are failing in their responsibilities to their stakeholders (including society). How many independent directors are prepared to fulfill this role? And how often does the board candidly introspect into the values guiding its work?

*-Arun Maira
Former Member, Planning Commission*

Public Sector Corruption – Still No Improvement

Global watchdog, Transparency International, has ranked India on 76th position out of 168 countries with the corruption perception score same as last year's – 38/100, showing lack of improvement in Public sector corruption. Once again, the ranking has pointed out that bribery and corrupt practices abound in our country as political leaders, government officials and businessmen collude to rip off citizens.

At the core of country's good governance is the building of a culture of Integrity. The leaders of the country have to ensure that they are seen across the country as ethical role models. They have to adopt pro-active stance, measures and policies, so that the ordinary citizens do not lose their voice to corruption. Unfortunately, this has not happened. Leaders with notoriously corrupt records continue to enjoy lives of luxury at the expense of people living in grinding poverty, all caused by corruption.

The human cost of corruption is huge. It is caused because people are not guided by their inner moral compass in their personal and professional lives. As a first step it is absolutely vital to have strong and committed leadership at the top setting an example. Leaders who will create a culture of transparency and integrity within institutions with zero tolerance to corruption.

At FRNV we wish to create ethical leaders, that is why we emphasise on value based education right from the school level. We believe that 'values are the cornerstone of humanity', and students who don't absorb good basic values are in danger of alienation and becoming corrupt, anti-social and disenchanted. The education system has to help them develop a social conscience as well as an individual conscience, and those things will come to their rescue when they are faced with difficult external situations or have to take important decisions in life. Values will help them in becoming a better person because values that spring from within or the core of the heart, like love, compassion, sympathy, empathy, tolerance, etc. lay the foundation for the externally practiced values like honesty, discipline, punctuality and loyalty.

- Anupama Jha

CEO, Foundation for Restoration of National Values

Importance of Imparting Value Education in Educational Institutions

Introduction

Mr.T.S.R. Subramanian, retired Cabinet Secretary, has been given the task of determining the elements of the New National Education Policy, after wide and detailed consultations with stakeholders.

We presented him our ideas on the critical importance of Values, The Inner Dimension of our Personalities, Responsible and Civil citizenship as the essential Foundation for a progressive Education Policy for India. Here is the working paper on importance of imparting value education in educational institutions.

FRNV's Working Paper

Value Crisis in our Society

Our education system is at crossroads. In India, people see education as the means of climbing the social and economic ladder. Rote learning still plagues our system, students study only to score marks in exams, in order to get high paying jobs, which marks his worth. Our education system does not emphasize on character

building, as a result, there is a dearth of honest and committed citizens who are fired by the zeal of Nation-building. There is abuse of power by powerful people, a marked increase in the crime in the society, scant regard for law, corruption & bribery, and a general decline in the values, which is evident in the society. The common man is in the grips of selfishness and there is lack of role models. With this, we are not building a stable and strong future for the coming generation. This alarming situation calls for an immediate action to remind and educate the younger generation of our time- tested National and Cultural Values, and embody their strength and inspiration. This is the only way to save our Nation from the impending abysmal fall.

Importance of Introducing Value Based Education in National Education Policy

At the Foundation for Restoration of National Values (FRNV) we believe, Values are the cornerstone of humanity, and students who don't absorb good basic values are in danger of alienation and becoming anti-social. The education system has to help them develop a social conscience as well as an individual conscience, and those things will come to their rescue when they are faced with difficult external situations or have to take important decisions in life. Values will help them in becoming a better person because values that spring from within or the core of the heart, like love, compassion, sympathy, empathy, tolerance, etc. lay the foundation for the external practiced values like honesty, discipline, punctuality and loyalty. Rampant corruption, unlawful activities, inhuman behaviour and immoral consumption, which is slowly breaking the very structure of our society, nation and the world today's fast paced competitive world, is because many of us have compromised on our values, integrity and character, in a bid to earn, use and possess more and more of material wealth. Therefore, there is an urgent need to re-introduce value based education dealing specifically with human values, to redesign the fabric of our educational system.

What values do we promote at FRNV (Foundation for Restoration of National Values)

At FRNV, we promote those National Values that are already enshrined in the National Flag, the National Moto, '*Satyamev Jayate*' (Truth Alone Triumphs) and the Fundamental Duties as enshrined in the Constitution. Some of these values are eternal: Truth, Non-violence, Righteous conduct and Preservation of natural abundance and vitality of the earth. Other Values which we promote are Contemporary. These are: Justice, Liberty, Equality, Fraternity, Sensitivity, Teamwork, Discipline, Responsibility and Respect for self as well as others.

How to promote these values

We believe in Value based system. The term Value Education should be replaced by Values-based Education. The term 'Value Education' is seen as a separate subject/period/class/exam-to-pass; whereas the term 'Values-based Education' stresses on the point that the entire education system will be value-based.

We also focus on Living Values. The focus is on Living Values, Demonstrating Values, not just periods, classes, tutorials or exams on morals and values. Values can be 'lived' by making them an integral part of the lesson plan for each subject. For example, In subjects like English (or other languages), the curriculum should include content which reinforce these values, in addition to teaching the nuances of the language. Only then, will values become part of their personality. The purpose is to empower, elevate, expand and enlighten the inner personality, which gets reflected in the outside world.

How to introduce Value Based Education in schools

Value Based Education program can be successful only if we develop an education ecosystem that decides to embark upon value based living. It identifies the values to be lived by all stakeholders and collectively co-create an environment which is conducive for such a living, thus encouraging each ecosystem to become a living value based system. This collectively then leads to a value based society.

This can be achieved by the following two steps:

1. **Identification of Values**: Each school is to collectively define a set of parameters that they collectively shall instil and demonstrate in the school.
 - a. These would be visible, demonstrable values (cleanliness, punctuality, respect for others, greeting others, volunteering, etc.)
 - b. The idea is to define these as 'doable', 'demonstrable' values, which each individual associated with the school will uphold.
 - c. The school may choose some 5 to 7 values which they shall pursue and internalize for a period of time (say 1 year, or any other suitable time frame). The idea is to internalize the values, so that we do not need a system to demonstrate these values. Following that, the school could add on other values.
 - d. The school may involve students, parents, and teachers in identifying these shared values.

2. **Shared Values for the Entire School System**: Each school is to define its Shared Values, which the entire school, including all the stakeholders in the School System should instil, uphold and demonstrate. (We are using the term 'shared' because these values are shared by all the participants in the school system.) This is not based on certain periods of time or days, but always.
 - a. School is a microcosm of the society and the Nation. If the entire school system adheres to the values identified by the school, it will soon be carried forward to the society and Nation.

- b. The school system includes students, teachers, principal, administrative staff, support staff, school management, advisors, and parents.
- c. Value-orientation will have to become a very transparent implementation through every part, function and department of the school.
- d. Parents consciously participating in this endeavor will greatly enhance the effectiveness and will also enhance their role in their children's education.

The salient points of this Methodology are:

- It is a process of continuous improvement. This is not a one time intervention in the school.
- Using this approach, the school can establish a 'culture' of value-orientation in the school, which is nurtured over time.
- All the stakeholders of the school system are involved in co-creating the value standards and establishing & sustaining this culture.

Role of Administering Agencies like CBSE/ICSE

In addition to the above, the CBSE/ICSE (or the relevant administering agency) shall provide guidelines for administration and management of the school. These shall be applicable to the school management, teachers and administrators. This will enable the principal and teachers to be role models for the entire school. The CBSE/ICSE shall audit the implementation and performance of the school with respect to the implementation of values-based education. The CBSE/ICSE shall provide guidelines for the implementation of the Value-based Education. The CBSE/ICSE can consider creating and maintaining a website which is dedicated to this theme of Value-based Education. This web site shall host the following: guidelines, updates, definition of values, examples of shared values, experiences of schools, anecdotes from different schools, etc.

Past Work Experience of FRNV

FRNV National Value Education Task Force has done extensive study on the present status of Value Education in the country and has also conducted a series of workshops to bring awareness about the urgent need for Values amongst the various stakeholders in the education ecosystem and co-creating value standards & elements of a value-based teaching system which could easily be adopted, and then practiced. We have piloted it in a few schools of Delhi in the past, and now plan to role it out in other educational institutions. We will continuously monitor, evaluate our work and make changes along the way.

FRNV and its Mission

The Foundation for Restoration of National Values (FRNV) is dedicated to creating a more ethical and value-based leadership, in all walks of life. Our work is driven by the conviction that leadership with integrity creates the most appropriate conditions in our democracy, for all-round national development, and the good of all.

FRNV strives to restore our time-tested Values so that people, individually as well as collectively find an abiding inner persuasion to be truthful, ethical, and patriotic and committed to the wholesome development of the Nation.

FRNV aims for change at the germinal level in the country by influencing the influencers. The foundation is guided by spiritual wisdom and delinked from any religion, caste, creed or other such divisions.

FRNV's main concern and attempt is restoration of the age-old values and traditions of this country, eradication of corruption and to work with the Government towards building a value based society.

News

- Khushboo Srivastava and Shrennya Kalyani have joined FRNV to carry forward the vision of FRNV. Both of them will work closely with the CEO, to advance the programs of the organisation, to conduct research on various issues and do advocacy to influence government policies and programmes.
- FRNV will collaborate with Shriram Global School to together carry forward the shared vision of Value Education for school children. Both Shriram School and FRNV believes that Values are important for the development and moulding of character of children, that will eventually lead to the betterment of the society and Nation.

Tell Us Your Story

Dear readers,

FRNV invites human interest stories from its readers, on deep rooted values, that have helped us in our everyday lives. Some of these stories will be featured in the next issue of our newsletter. So put your thinking caps on, recall the values integral to your life which you cherish and write to us at shrennya@valuefoundation.in