

Dialogues with Corporate Governance Visionaries

The subject of corporate governance is fundamental to our economy, financial markets and corporate responsibility; and it has always been on top of the agenda for CII. Way back in 1998, CII had released country's first-ever Corporate Governance Code for voluntary adoption by companies with an objective of establishing high standards of probity and corporate governance in the country. Through the years, CII has advocated that the best-in-class corporate governance is voluntary - of companies taking conscious decisions of going beyond the mere letter of law. In this context, it released the Voluntary Guidelines for Listed Companies in 2009.

Under the aegis of CII Governance Series, sessions are organised with leaders of corporate India to understand their perspective on corporate governance challenges. The Series for the year 2010-11 was initiated on 13 December 2010 at Mumbai with an address by the forerunner in the domain, Mr Deepak Parekh, Chairman, HDFC Limited.

Urging the need to walk the talk, Mr. Parekh advocated that the need of the hour is to practice governance, rather than just talk about it. He explained that there is no trade-off between doing well and doing good. Mr Parekh spoke extensively on the requirements for good corporate governance. Beginning with the role of the CEO, he said, "The role and expectation from a new age CEO has changed. In today's post crisis world, companies prefer a person with sound strategic thinking rather than aggression - CEO's need to be more cerebral than competitive. The new CEO has also to be aware of the world, as he has to build a diverse global pool of people. Hence, the CEO's needs have also changed, as they do not need yes men, but those who question him."

"Need To Practice Good Corporate Governance: No Trade-off Between Doing Well and Doing Good" - Deepak Parekh

Highlighting the importance of presentation of details to audit committees, Mr Parekh quoted the examples of banks and said that banks see petty frauds everyday. But these need to be reported to RBI and discussed with the audit committee. Anything that is written-off, has to be reported to the audit committee and the Regulator.

Mr. Parekh recapitulated the imperatives for good corporate governance: scrutiny of stake holders, self imposed good corporate governance practices, shortening time for legislation change and revamp of rules, appointment of qualified people with deep industry experience as independent directors instead of people merely based on their reputation, effective whistle blower policies in companies with checks and balance in place for them to reach the board etc.

Mr. Parekh said, "Good corporate governance is not about rules or compliance. It is not what you leave behind when you leave office. It is about your inner conscience that tells you the difference between what you have a right to do and what is right to do. Its principles are unchanging. It is about values but values have a value only if its value is valued."

Governance Series continued its appointment with leaders of corporate India, and the next session of the Governance Series was organised on 1 February 2011 at Mumbai with Mr Rahul Bajaj, Past President, CII & Chairman, Bajaj Auto Limited as the key speaker.

Mr Bajaj elaborated on the need for the industry to grow and offer competition to the biggest global companies. He stressed that any unnecessary and excessive regulation would prevent India Inc from reaching its full potential. He clarified that India Inc is not against regulation entirely. "We have to have some regulations, but let entrepreneurship and innovation flourish. Let us trust that the majority of chairman and CEOs are good, not just inherently but because their wealth and reputation depends on how well they and the company does. Let's have faith in them and then have minimal regulation to catch the crooks."

Why would a reputed member of a company's board stake his reputation by condoning corruption or bad corporate governance in a company: Rahul Bajaj

Mr Bajaj gave the example of the captains of Indian industry who are on the board of directors of Bajaj Auto. "They will not stake their reputation by allowing me to do wrong under their noses. They will first try and prevent me from doing anything wrong since as directors their reputation would also be jeopardized. If I still continue doing it, they would leave. And when three directors leave a company, everybody would and must ask questions," he said that often the organic regulation imposed by market- pulls is a much more effective deterrent than that forcibly imposed by the government.

Ultimately the market itself has a huge role in good corporate governance. “If the top management of a company is corrupt and doing wrong, the shareholders and its customers would leave the company.”

The last session of the tripartite Governance Series 2010-11 was organised with Mr B Muthuraman, President Designate, CII and Vice Chairman, Tata Steel Limited on 24 February 2011 at Mumbai.

Mr Muthuraman addressed the issue of Board culture and said that there is drastic need for change in the way boards function. “How much of a board’s time is spent on taking care of compliance issues and how much is it spent in creating a vision, or debating strategy of an organization”, he questioned and asserted that there is an urgent need for companies to allocate board’s time to strategies and debate. There is also a need for boards of our companies to be more dispassionate about who they appoint on their board, hiring them based on their ability, expertise and variety.

He also underscored the need to focus on process orientation, holding it as a more reliable way to get work done as only hard work will not achieve the goal. “If you can build process in to your passion, you can achieve better results”. The way to do this, he emphasized, is through effective corporate governance.

**India Needs to Add Process Orientation to its Passion to Grow Better:
Mr B Muthuraman, President Designate, CII & Vice Chairman, Tata Steel**

Mr. Jamshyd N Godrej, Past President, CII & Chairman and Managing Director, Godrej & Boyce Manufacturing Company chaired the session and laid out the agenda for the discussions when he said, “Governance is all about openness and directness. The most critical thing is to speak out on issues of governance. Unless open societies like us continue to speak out about these issues and debate on them to bring about resolution, better understanding and functioning, we would be failing our businesses and civil society.”

The Series was held in partnership with KPMG. Speakers from KPMG, Mr Richard Rekhy, Head of Advisory, KPMG and Mr Neville Dumasia, Executive Director, KPMG in India, spoke at separate sessions and elaborated on the DNA of good corporate governance - good governance entails succession planning in the family, an effective board to add value, clearly defined roles for board and management, constructive board meetings, robust strategic planning, focus on

risk management, robust monitoring of business performance. The role of management in enhancing corporate governance in a company was also highlighted. Good corporate governance is about making sure that there is a strong partnership between management and board.

CII Governance Series was launched in 2005 to discuss the latest trends on corporate governance with visionaries of corporate governance with a view to facilitate dissemination of the changing trends of corporate governance by way of holding interactive sessions with corporate leaders focusing on governance, accountability, transparency ethics, compliance and trust - fostering a culture of good governance. Corporate leaders such as Mr N R Narayana Murthy, Mr. Sunil Bharti Mittal, Mr K V Kamath, Mr Adi Godrej, Mr. Y C Deveshwar, Mr Uday Kotak and others have addressed the Series in the past.
