CHAPTER 2

Ancient and Historical and Modern Management

2.1 Values of Sastras

The term Management had the meaning of administration. The historical evidences speak about monarchy mainly. Wherever across the globe and whatever be the period, the king is the head of administration and all the commercial activities where under the direct supervision of the king.

'Every nation as well as region has got its own culture. Management constitutes a sub-culture and this should be influenced by the cultural ethos of the particular society. Management cannot be divorced from life because manager and worker do not undergo any metamorphosis when they come to work.'¹ 'We are conditioned and influenced by our view of life. Our attitudes to work are determined by our values of life. The work culture is part of national life. In the post war period of economic reconstruction, both Germany and Japan did remarkably well and rebuilt their war ravaged economies. India which started economic development during the same period, lagged behind.'²

'Thoughtlessly, we have borrowed the management practices from England in the beginning and later from America and tried to apply them to our society with little or no modification. "No doubt, it was imperative to import technology for faster development but it was not deeply examined whether the management system representing the human side for managing the technology should also be copied from an alien society."³

'Our ancient human management systems were developed by our 'RISHIS' who have analysed thoroughly the nature of the human behaviours. According to them his inborn sanskaras and vasanas condition his mind, intellect and ego; the result of this would be the man being inclined to be satvic, rajasic or tamasic which influence all his activities, including the type of work, his approach to it and the results he is likely to achieve.'⁴ Man should be looked upon as an integrated personality having physical, emotional and spiritual needs. Satisfaction of these needs and earnings required economic resources through righteous means are stated as the
goal to be achieved. *Artha and Kama are based upon dharma and a life lived in such a way leads to moksha ultimately.*

### 2.1.1 Influence of the West

'Most probably, material success of the west on the one hand and centuries of slavery on the other might have influenced us to turn to the West for technical know-how as well as managerial expertise. There is no doubt about the materials prosperity and technological superiority of the west. Its work culture makes a man industrious and socially conscious citizen. Freedom for individual action under competitive circumstances brings out the best in him both for his benefit and the society. The industrial revolution that happened in the West and the developments over the four decades has provided the necessary time to test various methods and learning from the trials and errors of those tests. Instead of testing and learning India had to borrow the same from the west, of course influenced by the slavery under the British to emphasise. The influence of western style of education and the undermining of our education and knowledge have given rise to a lot of ignorance and prejudice.'

### 2.1.2 Some Misconceptions:

'Apart from total disregard and ignorance of our ancient wisdom contained in various tests and scriptures, a lot of mistaken folklore was developed by interested parties and some of such misconceptions are:

1. *Indian philosophy other worldly and disregards material progress;*

2. *It is fatalistic and kills individual initiative and freedom;*

3. *It is based upon ritualistic religion which is not in consonance with secular values under a secular constitution;*

4. *There are so many contradictions and obsolete ideas in Indian Philosophy;*

5. *It is against scientific rationalism and demands blind faith;*

6. *It is based upon an outmoded caste and Varna system;*

7. *It is against change and anti-modern;*
8. *It supports untouchability, sati, child marriage and many other social evils.*”

Therefore it cannot have any place in management and industrial and commercial organizations."^{17}

### 2.1.3 Motivation — Guna Model

'Somehow motivation is considered as the key to performance by Western thinkers. For them motivation is mainly through external stimulation. For our thinkers motivation is internal. Nobody can sit idle and each one's work is influenced by the *sanskaras, vasanas and gunas*. The work here means all his activities and it would be most beneficial to him and the society if is performed in accordance with his *gunas*. The Gita analyses work into four broad categories and are linked to the combinations of three *gunas* as follows:

<table>
<thead>
<tr>
<th>Guna</th>
<th>Description</th>
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<tbody>
<tr>
<td>Tamas</td>
<td>Skilled and Unskilled labour and service</td>
</tr>
<tr>
<td>Tamasic Rajas</td>
<td>Commerce, agriculture and wealth generation</td>
</tr>
<tr>
<td>Sattvic Rajas</td>
<td>Exercising authority and power through administration and management, military and police services and industry</td>
</tr>
<tr>
<td>Sattvic</td>
<td>Intellectual pursuits, consultancy, teaching, research, staff functions, advisory services.</td>
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If persons are compelled to undertake activities which are not in consonance with their inherent *gunas*, the quality of achievement and performance may not be satisfactory. Any motivational theory that ignores the dominant *guna* of a person cannot yield results. In an organization efforts should be made to identify actions and pursuits that would suit the *gunas* both dominant and subordinate. The same idea is expounded by Western management thinkers also when they say that the right man should be in the right job. Work, not only as a means of livelihood but more as ‘Sadhana’ for self-development and purposeful life is a powerful motivator."^{18}
2.2 Management lessons from “Baghavad Gita”

2.2.1 Introduction

‘Modern management practices and theories were developed during the last 150 years, ever since the industrial organizations of the west began to get established. It is popular belief that globally renowned corporations adopt best practices and manage their organizations very well. Against this backdrop consider the following statistics about how organizations are managed according to a study made in 1997. In his book, ‘The Living Company’ Geus mentioned that most large and apparently successful corporations are profoundly unhealthy. According to the study, the average life expectancy of Fortune 500 companies listed in ‘Fortune 500’ in 1970 vanished by 1983 and 40% of all newly created companies last less than 10 years. Such a high rate of infant mortality of organizations point to primitive stages of management that we are in today.’

Most of the modern organizations of today report that: People in these organisations experience stress, struggle for power and control, cynicism and a work environment that stifles rather than releases human imagination, energy and commitment. ‘Many senior executives in companies today will agree to the fact that even after several years of management training, we have hardly made significant progress in addressing some of the vexing issues. These include, among others, dealing with people around us, understanding what motivates oneself, doing one’s work in the most efficient manner, making leaders for ‘high performance’ organisation and creating organisations that can live long. On the other hand, we often notice that there is no relation between quality of life at large and work life.’ This is mainly because of the non-consideration of the ‘gunas’ in selection of the people by the organisation for the jobs and also the individuals not selecting the jobs suitable for them. The Indians are internally influenced by the Indian system and externally they are taught to be western in character and that is the reason for the mediocre performance of many. ‘Given this state of affairs, it indeed impels one to look for alternative paradigms for better management practices.’
2.2.2 A Compendium of Management Lessons:

"In simple terms, management is a body of knowledge that enables entities to deal with a multitude of situations involving people, process and the environment, to ensure work is done efficiently to deliver goods and services useful to the society. Good management must result in greater satisfaction for all stakeholders. If we carefully study the Bagavad Gita, we infer that the central issue is all about doing work (karma Yoga), in the most efficient manner.

The cardinal principles of 'karmayeva adhikaraha'[right to work] and logical explanations leading to the proclamation that 'yogaha karmashu kaushalam' [yoga is skill in action] laid out in chapter 2 of the Gita and the concept of 'yajaha' [sacrifice] laid out in chapter 3 of the Gita amply demonstrate that the fundamental requirements of good management are contained in the Gita.\(^{12}\)

"Gita offers a framework for stimulating high levels of motivation. Otherwise how can one explain the magic transformation that Arjuna has gone through from a state of fear, mental agony and hair raising experience to one of waging a war against a battery of most credible and competent leaders in the society and eventually winning the war. A careful study of Gita from this perspective will lead us to important principles that managers must inherit to create rightful and long living organizations. Such a study will help us discover certain aspects of high performing organizations and may provide vital clues for alternative paradigms of management.\(^{13}\)

2.2.3 Alternative Paradigms from Gita

'Notion of Time

One of the pressing problems that modern organizations face arises out of their notion of time. Modern organizations suffer from extreme levels of ‘short-termism’. Software companies in India provide what is known as quarter-on-quarter guidance. In simple terms what it means is that they inform the market players and their stakeholders what can be expected of them in the next quarter. Invariably they project a positive outcome quarter after quarter and in order to meet these guidelines they engage in a variety of activities that create stress, and a short term oriented approach
to managing business. This invariably brings negative results in the long run. For instance, to cut costs and show impressive results, it is customary in several organizations to slash training budgets and expenditure on Research and Development (R&D). Clearly, this will make the organisation less equipped for the future. Unfortunately, a series of short terms never makes a long term for any organization. While some have understood this aspect they have not been able to change the way they work and take decisions that are consistent with this requirement.

'In the Baghavad Gita, Sri Krishna’s first lesson to Arjuna is to train his mind to the notion of time that is essentially long term (Chapter 2, Slokas 11-13). A good understanding of this helps managers to feel less pressurized of performance targets in the short run and instead develop some conviction to engage in activities and decisions that seek to create a balance between short term and long term. Change management becomes easier as they develop comfort in the fact that people come and go and good principles and ideas must remain and drive choices in organisations. They will also begin to realise (as it happened to Arjuna) that whatever they face complicated and apparently insurmountable problems, one way to broad-base the problem and search for acceptable solutions is to revisit the notion of time.'

2.2.4 Performance metrics and assessment.

'The biggest constraint for modern management is the mindset towards performance metrics and assessment. Modern management practices approach this issue in the context of a world of duality. It works at two stages. In the first stage, the dual perspectives are first established. For example, all actions and outcomes are first classified using a framework of duality; good vs bad, desirable Vs undesirable, performer Vs non-performer, belongs to my camp Vs opposite camp, positive Vs negative and so on. Based on these, expectations are set that pertain only to the positive aspects of this world of duality. At the second stage, the managers begin to develop a false notion that only good things are going to happen. In modern management practice, it is a bad thing to expect negative outcomes in this scheme of duality. Consequently, they develop no skills to expect negative outcomes, to understand why these happen and evolve no methods to face these. This is clearly unrealistic. In the absence of these, managers develop needless tension, experience stress in their work place, deal with their sub-ordinates in non-managerial and at times
unprofessional ways and even carry these negative emotions and stress back home and spoil their family life as well.

One of the greatest contributions of the Baghavad Gita is to develop a good understanding of the risks of living in this contrived world of duality of equipping the managers to rise above the plane of duality. Shri Krishna had devoted much time on this critical aspect of managing the world of duality. In chapter 2 verse 14 he urges Arjuna to learn to tolerate the ups and downs that characterizes the world of duality. Later in chapter 2 verse 48 he proclaims that developing a sense of equanimity begets a composed and a complete personality, which is a quintessential attribute for a leader/manager. In several chapters he revisits the notion of sense of equanimity and reminds Arjuna of the virtues of it. Slokas 24 and 25 in chapter 14 provide in a nutshell all the important attributes pertaining to the world of duality that a leader/manager must possess to be successful in his/her work place. If managers can develop a sense of equanimity as indicated in the Gita, the quality of leadership will dramatically improve and so will the quality of management.\footnote{15}

\subsection*{2.3 Kautilya’s management principles:}

‘The most well-known of his works, the ‘Arthasastra’ is less of a tractise on political science \textit{per se} or a discussion of the fundamental principles of administration and political science. It is mainly concerned with the practical problems of governance and treats them exhaustively. As such, it finds relevance even in current times, not only in the governance of state, but with modifications of described problems and apt interpretation, even in the competitive world of the corporate business sector with its modern management methods.'\footnote{16}

\textit{“Resource orientation: the very basic input of wealth is resources. In his Chanakysutras it is highlighted thus: The world functions for money. Attempting a task without resources is like ploughing the sand.”}

In the corporate world resource planning is the key and all other aspects are only secondary. Without proper resource planning wealth cannot be created and sustained. The importance of people in the state and their governance through apt organization, for any successful activity, is emphasised. "A state is that which has people; without people, like a barren cow, what will it yield?"
Governance is possible only with assistance. A single wheel (of a vehicle) does not move. Hence, ministers should be appointed and their counsel listened to.”

The central role of the ruler of any state—by analogy, the chief Executive or equivalent power-centre of any particular organization in today’s corporate world—his duties, desirable qualities, behavioural nuances and their effects are exquisitely dealt with, the focus betting on people and their interactions, as can be observed from the following:

“A ruler should appoint as counsellor one who respects him, one who is learned and who is free from fraud.”

“A ruler who administers justice on the basis of four principles, viz: righteousness, evidence, history of the case and the prevalent law; shall conquer the four corners of the earth.

“A ruler with character can render even unendowed people happy. A characterless ruler destroys loyal and prosperous people.”

“What character the ruler himself has, the people attendant on him have”

“Exercise of power and achievement of results should be properly matched by the ruler in order to win over the people.”

“A ruler should not harass the roots of righteousness and wealth.”

The very fact that people matter and appointment of competent ministers is recommended coupled with intensive discussions on how such counsellors are to be selected, exemplifies Kautilya’s undisputed mastery over the intricacies of organization and Governance.

Today, corporate world speak and work on strategies to combat either to retain its leadership in the market or to acquire any brand or organization and ultimately to be the leader. The corporate warfare can be compared to that of the ancient and historical wars and her Kautilya gives gems those would be relevant at all times.

“Power is the cause for forging of treaties. Unheated metal does not join with metal.”
"One should sign a treaty of peace with one's equal and superior and fight with the inferior."

"In a fight with an inferior, one gains absolute victory, like the stone hitting the earthenware pot."

"A fight between equals, like the collision of one unbaked pot with another, destroys both."

In warfare the importance of timing and the place where the battle is fought, is graphically illustrated as follows:

"In daytime the crow kills the owl and at night the owl kills the crow."

"On land a dog drags a crocodile. In water, a crocodile drags a dog." 19

All the above principles are in a way or the other are applied in the corporate warfare today and we are able to witness the same.

Similar views are also echoed in the "THIRUKKURAL" the masterpiece of the great poet "THIRUVALLUAR" in Tamil language. A few of the management principles are reproduced here to have an idea of the widespread knowledge and applications of the subject at the various time periods of the Ancient and Historical India.

2.4 Management Guidelines – THIRUKKURAL

2.4.1 On Wisdom

"wisdom is the ultimate and impregnable defence for protection against destruction; it is also the fortress of inner strength against enemy onslaughts." 20

'Rajaji would say that such discriminating knowledge would constitute an inner fortification, which would be an ultimate and impregnable defence against all enemy attacks.' 21

"Men of wisdom know and are prepared for what is coming; the ignorant do not know what is ahead of them." 22
Men of deep knowledge and understanding will surely be able to think and plan ahead. Foreseeing and planning for the future is an important aspect of effective management at the highest level. Managers at the top will not be taken by surprise, even by some untoward developments because they have, to a large extent, foreseen what might happen. In just a few instances they may even be in a position to influence likely developments. In any case they will be prepared for what happens, and will not be subjected to any stunning shock. According to Rajaji, their preparations will enable them to meet most developments the half-way.23

"The truly wise will fear what is to be feared; only the ignorant will be fool-hardy."24

It is obviously the function of men learning to foresee developments and plan for the future, as stated in the last kural. What is envisaged in this kural is that they should foresee too the kind of erosion of moral and ethical values that are likely to take place, and take effective measures in time to ensure that such erosion is prevented and values are not thrown over-board.25

2.4.2 On Advisors Around the King:

"It is the rarest of all rare privileges for a good king, to have the wise and great as his true friends."26

A good king is one who is wise enough to count as his own friends, the great men of learning and of administrative wisdom of his own kingdom and even from outside.27

"Where the king’s counsellors possess the courage to reprove him when necessary, nothing on earth can bring about such a king’s ruin."28

"Without courageous counsellors to point out his faults and so protect him, a king will ruin himself, even without foes. "29

These two kurals are to be read together. ‘Kautilya had prescribed as part of fullness of a prince’s education, his acquisitions of appropriate discipline, by close association with old professors of science, in whom alone precision and discipline could be found effectively internalised as a matter of course. The king who had
acquired such discipline would appreciate the advices from the elders when they would point out wherever the king would go wrong or tend to tread on wrong path.  

2.4.3. On Planning

"The cost of sure destruction, possible acquisition as well as ultimate returns should be considered before launching any action." 

In every action, Rajaji would say, there are three elements: Loss, Acquisition and Value. The quality and measure are to be weighed before plunging into any action. This is almost similar to the corporate planning what we have been discussing in the corporate world today.

"The wise conserve what is already gained, before entering on a doubtful enterprise."

A prince who is wise will first consolidate what he has gained already and he will not launch or entertain any questionable undertaking for just a possible but doubtful gains and lose all that he has got in the earlier transaction.

"Action should follow analytic decision, resulting from deep deliberations: To postpone consideration until after commencing is disgraceful."

Every plan of action should follow a well considered decision, made after examining all aspects of the problem, and analysing possible solutions, and finally arriving at the best solution possible, under the circumstances.

Counselling may be had during the process of analysing the facts and circumstances of the problem, and the alternatives developed by way of solution. In modern management, even the computers help substantially. But the final analysis and decision making should be that of the chief executive. (i.e) the King.

Even the armed forces and the police adopt modern management techniques as propounded by Peter F Druker and Herbert Simon, and obtain inputs from persons in the field, staff and experts, but once the decision is made it would be final.

A similar instruction is conveyed by Thiruvalluvar in Kural 671 as follows:
"A decision should follow due deliberation but once the decision is made, delay in implementation and dilatoriness in execution are positively wrong."37

When confronted by a problem, steps should be taken to define the problem, analyse it, deliberate on ways and means of solving the problem, arrive at different possible solutions and choose the best solution. This really is decision-making according to the management expert Peter F Drucker.38

2.4.4. Employment of Chosen Men:

"Enlarging the source of income, developing the wealth of his realm, and overcoming, all problems that arise shall be the function of the king."39

'A ruler’s primary responsibility, in respect of his kingdom, is to expand the resources for his revenues, and, side by side, to develop the agricultural and other wealth of the land. If in the process, he confronts obstacles of any kind, it shall be his duty to remove them in the best possible manner. That is how a king’s function shall be effectively performed.40

"On assessing the good and evil that men do, the choice for public service, will be only on the basis of their good performance."41

'Rajaji is of the opinion that the individual employee should be placed on a period of probation to assess his capability of performance. That is the more appropriate and relevant meaning of the above Kural.42

"Even the men, selected carefully after diverse tests, may be found wanting in action."43

'In spite of every other test being satisfied, there are some, who are not ultimately suitable, by reason of their nature, for the particular work entrusted to them. This verse emphasises the need for a period of probation of all cases in public service, even among the men that satisfy every proceeding test, as they may show themselves up differently in the actual performance of the duty.44

"Work should be entrusted to men of expert knowledge and painstaking application, and not merely to the king’s favourites."45
Work should be entrusted to the experts and not to the one who are merely the favourites of the king. "K M Balasubramaniam, in his notes at the end of the Kural, would say that the 'philosopher king' of Plato was trained in such Spartan discipline, that nepotism or favouritism would not find a place in his mental makeup. May be, such philosopher kings rarely existed. Most kings were human and most of them had their weaknesses, to a greater extent but they were suitably trained for their jobs too.

''In this context Rajaji categorically states that men should be appointed to responsible positions, only on the basis of their proven ability to meet the needs of their duties, prescribed for each position under the king, designed for delivering effective performance according to people's expectations, and at the same time on a consideration of their resourcefulness to meet the situations that may arise from time to time in carrying out those responsibilities. Everything will go wrong if persons are nominated to such positions out of mere friendship or kinship."

"The nature of job, the suitable man for it, and the appropriate time, should all be considered before embarking on the enterprise."

"Having examined and decided that this job could be competently done, with these means, by this person, he may be left free to do it on his own."

"Once the right man has been chosen at great pains for a job, it is but right that he is made fully responsible for it."

The competence of a manager shall be assessed base on his ability to select the right man for the right job and place him in charge at the right time. Thiruvalluvar has made it very clear that before entrusting the responsibility to a person, it must be thoroughly examined that the person would be capable of accomplishing the task with the instrument and means placed at his disposal. Once selected that person should be entrusted fully and should not be disturbed.

In modern management an important principle 'Delegation' is often used. This Kural brings out the meaning of 'Delegation'.
The next Kural is a continued emphasis of ‘delegation’. “Rajaji has thought it fit to interpret both Kural{s together to derive the meaning. He would say that, after you have tested and found a man suitable to fill a particular position, the correct and natural thing to do is to transfer the full responsibility for the execution of the job to him.”

“Good fortune will desert the chief, who mistrusts, and misinterprets the actions of his trustworthy and efficient executive.”

‘Every Manager should have a certain measure of flexibility in the immediate range of his activities. If the ruler misunderstands this freedom and considers such a person is untrustworthy, nobody need be surprised if his affairs end up in ruin.’

“If the king regularly exercises control and ensures that his executives act straight everything in his kingdom will automatically go right.”

‘Having selected rightly and given the proper placement to his executives, is still shall be the responsibility of the Ruler to exercise overall control, in order to ensure that all his executives act with integrity efficiently, and that, therefore, everything goes all right with the people of his kingdom.’

Delegation certainly is an appropriate management strategy, on the part of the king, to promote the right kind of motivation in his executives. Having delegated responsibilities, and invested them with the commensurate authority, the chief executive cannot and does not go to sleep. He continues to exercise effective control over the functioning of all his executives, in order to make sure that they behave and perform in an acknowledgedly straightforward manner, in keeping with the expectations of all sections of people.

2.5 Shivaji’s ajnyapatra

This is the book containing the principles of statecraft evolved by Shivaji and though it belongs to the 17th century, has relevance and applications in today’s management and administration. ‘The book was written in a cursive Marathi script and contains nine chapters.”
‘Chapters three and four describe the daily routine of a king, his time
management, placement of servants at his residence, the duties of the chief advisor
and also the staff. Chapter five deals with the trading communities in the State; and
king’s dealings with State finances. Chapter six and seven deal with the grant of
jahagirs in perpetuation to individuals for their services to the state. Chapter eight
deals with the management of forts; their construction at strategic points in the state
and their maintenance. Forts and castles were vital for the territorial hold over large
areas.’

Chapter nine deals with the Naval forces of the state. Shivaji had visualised
the growing naval powers of the English, the French and the Portugese, and he wanted
to build his own navy to keep the coast safe from foreign aggression. A deep concern
over preservation of environment is also noticeable. Afforestation was publicly
encouraged. The language of “Ajnyapatra” is terse and effective. Shivaji had
imbibed ancient thoughts on the science of politics by hearing stories from the
Ramayana abd the Mahabharata from his mother and some other Sanskrit text from
his Guru. Some of the thoughts in this book run parallel to Chanakya’s Arthasastra.56

2.6 General Principles of Ancient Management

2.6.1 Some General principles of ancient management:

a. Praise and Criticism: These two are dual nature of management. In life
also there are issues approval and disapproval and acceptance and rejection. ‘Life, by
definition, consists of dualities. Work is followed by rest, and rest is followed by work.
Waking and sleeping, hot and cold, sweet and bitter, speech and silence, ups and
down – life’s dual nature is too well known to need any elaboration.’57

Praise in one sense means acceptance. From acceptance comes the desire to
adopt or to do what one accepts. Praise, psychologically speaking, is the first step
towards acquiring something or pursuing a certain way of doing. ‘This subtle
psychological truth is at the root of the working of advertisement industry. Through
advertising, all kinds of efforts are made to make the viewers or readers admire
certain products. In order to enhance this appeal of the products, often a popular
personality, from sports or films, is chosen to endorse them. Since ‘targeted’ future
customers admire the popular person, making the product acceptable becomes easier
and natural. Once the viewers begin to discover the so-called ‘suitability’ or arrive at a ‘it-is-good-to-have-it-conclusion’, the next step is to look for having that object. And that is what an advertiser target at! \(^{58}\)

### 2.6.2 Management Ideals and Indian Culture:

#### Indian scene

‘A pervasive disconnect from a strong foundation is palpable in the way organizations and functionaries exist in India today. That foundation is where Indian thought affords a panorama worth delving into.\(^ {59}\)

‘As per Vijay Menon, the present situation is more precarious because today we know a lot at a superficial level but we do not truly recognize it; Rampant selfishness, greed, ego, money mutilating man, ‘worship’ of money. These are the problems and we know it. And yet we do not go deeper to investigate the resolve these issues. It is like knowing about hunger as a fact but not really doing anything to assuage it, making us speakers with nothing truly meaningful to say.\(^ {60}\)

#### Man – Making

‘This is why in the word ‘man making’ that Swami Vivekananda used we find both the means and the end of all human endeavour. Organizations need to recognize that until they create enabling conditions for man-making, they will only end up where they started. Man – making is the means to lasting relevance as a company and leading to the goal of perpetual significance.

‘When Japan was battered by the triple whammy of an earthquake, tsunami and nuclear spillage, they talk of an Indian stranded in a hotel amidst all the confusion and tragedy. When the lady chef gave him food that day and did not give him a bill, this man remonstrated. She told him it was a day of national tragedy and so it was a day to give and not take; the tsunami might have broken their lives, but not their conscience. What Himalayan heights of thinking! Is this not what our scriptures have always thundered!’

‘Man-making is the point. It is not making a man with skills and competencies as the management science elucidates, but of development of conscience and
character. The resultant output would put the best planners to shame. Today’s management is too much plan and too little man. When the centrality of man is compromised, what we build are organizations and not institutions.

‘When a spiritual titan like Swami Premananda (a direct disciple of Sri Ramakrishna Paramahamsa) would stretch himself to ensure that everyone who came to Belur Math was fed and cared for, was he not laying the invincible foundation of eternal relevance? Was he not making people internalize the very reason why the institution existed, i.e., to see divinity in all of creation? Was he not merging the means and the end to an indivisible entity called organization culture, the very DNA of management?’  

‘Success’ or Values?

‘It takes a child but a second to correctly answer what the basic purpose and aim of an enterprise is. It is profits. And to get this we invented a sacred word called ‘practicality’ to be the signatory and co-conspirator of a selfish, brazen and arrogant distortion of character and morality. The epitaph sums it up – ‘Successfully Unsuccessful’. Indian scriptures rush to salvage this gloom by extending the boundary of thought. Accordingly profits could be the intermediate goal. That is possible only when we look at not only success but also sustainability.’

‘This is the management wisdom that we see in the call of Lord Krishna to Partha to see the Mahabharata war not as a battle to be won but as a support structure for eternal Dharma, thereby broadening the thought base of the subordinate called Arjuna. The kingdom, which Arjuna rightly deserved, would incidentally come to him in his larger resolve to buttress Dharma. Today’s management quest is about finding the one entity that adds lasting value. Is it product, service, strategy, skill? Our Shastras say all these are tangible emanations from the true service provider. If he is made, the rest has to follow. A correct understanding of Indian culture enables an organization to say that the one thing that supersedes everything is proposition. That is where all the constituents commingle to effect a transformational offering. Profiting from the morality of the contribution it becomes not just a return on investment but a return on conviction.’
The True Meaning of Commitment.

‘A vexing conundrum of management today is the word ‘commitment’. How do we engender commitment in a person? We totter here because we try to build commitment to abstract representations and use contrived methods to get there disconnected from our Puranic lore. In the Ramayana and the Mahabharata, all revelatory communications happen when a person is made to commit not to a unit called the family, institution or state alone, but integrated to the larger and deeper unit called Dharma. He is wedded to Dharma for that circumscribes all the multifarious expressions of commitment to all other stakeholders.’

We see this everywhere in the epics, right from a Bharata’s celerity in spurning a kingdom, to a Rama’s ease in choosing life in the forest instead of luxurious life in the palace, and his potent rebuttal of Bharata when he splutters indignities even to an errant Kaikeyi thereby enthroning motherhood, to a Bhishma’s devotion to a promise given, to a Vidura’s obstinacy in preferring to be honest rather than palatable, to a Lakshmana’s glorification of brotherhood, to a Yudhishtira’s spirited refusal to dethrone filial piety revealed by his act of prostrating to his elders in the battlefield in front of a full house. In all these actions, we find that the act is an expression of commitment to an ideal which is what is sought to be captured as a lesson. It comes under varied appellations of ‘commitment to truth’ or ‘higher reality’ or ‘existential virtues’ which outlives even the individual.’

‘Include and Complement’

‘Dharma has in its fold a glossary of meanings and one of it can be scientifically linked to what management as a discipline has been labouring without much success to accomplish – the concept of shared destiny. Sony’s illustrious chief Akio Morita pens this down as one of the pillars of his management philosophy – shared destiny that creates multitudinous pathways of understanding the interconnectedness of human destiny.

To be one with the universe is the Vedantic truth broadcast by every Indian text and Master from the caves and peaks as the adhesive that holds the individual and the universe together. Today when companies have relooked at the ecosystem and redrawn the boundaries from focus on profits to focus on employees to focus on
customer to focus on supplier to focus on socio-cultural milieu, we are witnessing this burgeoning Vedantic theme of larger and deeper integration. That one expression has in it the fortitude of a seed waiting to incarnate as a tree. We reduce the irreducible truth into a parochial or convenient or popular sachet disposable in form and limited in content and most deleteriously toxic as residue from which new problems emerge. *Parasparam bhavanyathaha shreyah param avapsyatha* – ‘May we complement each other and nurture each other and that will take us all to the heights of fulfilment’ (Gita, 3.11) was the management thinking to create synergies in ancient times. Today we see this when companies have widened the embrace of their key stakeholders from employees to vendors.  

‘One of the paradigms of today’s management is creation of teams of high performance. Whilst it is central to success, it fails in many cases because it aims to make competencies homogenous undermining the maxim that lasting results stem from healthy complementarities. A good communicator is only as successful as a good implementer who corroborates the practicality of the communicator’s imagination. This is the heart of management where we see in everyone one repository of utility or value and when kindled he immortalize himself.'

**The Master Manager**

‘We see how Bhagavan Krishna employed this to the fraction by aligning the different temperaments or personality constructs of the Pandavas to specific contexts that demanded it. A living proof of our scriptures was Sri Ramakrishna whose eternal legacy was sixteen direct disciples schooled b direct disciples schooled by him into the immensity of Vedantic consciousness. The youngsters were varied personalities with equally contrasting inheritances. From a contemplative Swami Brahmananda to a living chapter of love Swami Premananda to the erudition of an illiterate Swami Adbutananda to the cyclonic go getter dynamo called Swami Vivekananda, they present diversity so emblematic of the world. Sri Ramakrishna without an iota of dilution funnelled the inherited and acquired personality footprints called in management as competencies in the same channel of expression. That is why Narendra spoke through penetrating words and Brahmananda through silence. The consummate painter in Sri Ramakrishna completes his magnum opus of sixteen disciples by chiselling their diversity into their predominating domain of strength but
unifying all of them and their destinies by anchoring it in the commonality of a relentless, ceaseless, egoless search or Truth.’

This is the unwritten chapter the world of management and MBA courses would do well to learn from the Master in Dakshineswar kali temple bereft of a strangulating rope of degrees but adorned with the liberating garland of freedom. That is why each of the sixteen disciples became independently absorbing pages in the history of Indian spiritual culture. They communicated the same truth in active idioms of their own personality fabric without any contradictions. How they could give clarity to the devotees to this day is legendary. The artist, the maker, the master, the manager in Sri Ramakrishna reveals itself.67

CONCLUSION

‘Management is as much about managing ourselves as it is about others. Recognition of this truth is where one’s ingenuity in managing becomes an aspect of his Value quotient. It becomes not an effort but a state. It is then not an effort but a state. It is then not a discipline but a principle. A veritable confluence of India’s timeless culture and concept.68

2.6.3 The Highest Empowerment”

‘What is Empowerment?’

Empowerment is what everyone wants, for it is the key to success. From the chairman of a company to a clerk in the office, from a scholar to a maidservant, from a driver to a celebrity, everyone wants to succeed. No one even wants to be called unsuccessful. And what is needed to become successful, overcoming all the obstacles that come in one’s way? Empowerment.

But what is empowerment? Says a popular definition: ‘Empowerment means increasing the spiritual, political, social, educational, gender, or economic strength of individuals and communities.’

The term empowerment is used in many ways: empowering women, empowering villagers, empowering marginalised sections of society, empowering have-nots and so on. Indeed, it covers ‘a vast landscape of meanings, interpretations,
definitions and disciplines ranging from psychology and philosophy to the highly commercialized self-help industry and motivational sciences.  

'The first empowerment is physical in nature. One should be physically strong and healthy. One should have basic amenities such as food, clothing, shelter and so on. In a way these are interrelated. Health and living conditions have great connection though other factors as living style, habits and hereditary factors have a role to play.

Then, there is the second empowerment to live with dignity and meaning. This needs education and enlightened citizenship. One should be educated and should be socially, economically and politically empowered. Modern systems of governance and management have indeed empowered man in many ways, though there are many shackles which need to be broken.

Science and technology have empowered us in many ways. For instance, the growing access of the web has empowered us immensely. We can communicate faster and express in more than one way. Facebook, Youtube, blogging, smartphones, sms – technology has gone a long way in empowering the modern man. We feel empowered and more resourceful.

**Life Means Empowerment**

But is empowerment all about physical, social and technological issues? Are there some other aspects, deeper and more significant, which need consideration? In a way, empowerment is a modern term for the old, dear term called ‘happiness’. For this is the end product of all empowerment – to make one happy. And what is life except this search for happiness and fulfilment? In this context, let us recall Swami Vivekananda’s words,

This complex struggle between something inside and the external world is what we call life. So it is clear that when this struggle ceases, there will be an end of life. What is meant by ideal happiness is the cessation of this struggle. But then life will cease, for the struggle can only cease when life itself has ceased.

Further, in a way, empowerment is a kind of help, a system to overcome some lacuna and add value and strength to our lives. For instance, a hungry person feels
empowered if he is given food. An illiterate man is empowered when he learns to read and write. He does not have to depend on others to read or write for him. He becomes independent in this matter. A person who has been denied an opportunity or something feels empowered when he is provided it. Empowerment is freedom and freedom is the ‘song of the human soul’.

Says Swami Vivekananda further, in terms of helping or empowering others,

Helping others physically by removing their physical needs, is indeed great, but the help is great according as the need is greater and according as the help is far-reaching. If a man’s wants can be removed for an hour, it is helping him indeed; if his wants can be removed for a year, it will be more help to him; but if his wants can be removed for ever, it is surely the greatest help that can be given him.\textsuperscript{71}

\section*{2.6.4 Swami Vivekananda’s ideas on Economics:}

‘Swami Vivekananda remains one of the most influential personalities of India and the modern world. Though vast changes have taken place in the country since the beginning of the twentieth century, his influence continues to increase over the years. In fact many of his thoughts are more relevant today.

Swamiji was a great visionary, with a rare clarity on diverse aspects of human life. His intimate knowledge of the Indian situation, wide experience across different countries, deep understanding of the civilizational backgrounds and keen intellect gave him a unique opportunity to develop new insights on different subjects, including economics.\textsuperscript{72}

\textbf{Indian Economy in His Times}

The Indian economy was at its worst period during the times of Swamiji. Let us look at some of the facts and figures of those times.

Dadabhai Naoroji (1825 – 1917), the Grand Old Man of India, calculated that the national income of India during 1867 – 68 was 3.4 billion rupees for a population of 170 million, with a per capita income of just 20 rupees. Comparison of per capita incomes of different countries revealed that India’s income was very low; ‘even the most oppressed and misgoverned Russia’ was much better and it was believed that India was much better and it was ‘the poorest country in the civilized world.’
The British domination had made India, a nation with a long history of prosperity and superior achievements, a poor country. The agricultural, industrial and business sectors were destroyed. The replacement of the native education with the Macaulay’s system resulted in changing the entire course of education, apart from denying it to larger sections of the society. The value based systems that governed the functioning of the society and economy since the ancient times suffered severe damages.73

Swamiji’s Insights into Economic Issues

‘Swamiji had a remarkably clear and deep understanding of the Indian economy due to his first-hand knowledge of the issues as an itinerant monk covering different parts of the country. His experiences and interactions in the foreign countries provided him an opportunity to understand and compare the economic and social systems of different parts of the world.

Though Swamiji was not a student of economics in the narrow sense of the term, he was well-read in economics and was familiar with the works of political economists like John Stuart Mill. His expertise on economic concepts could be understood from the fact that he gave a lecture (CW,3.470) to the experts at the American Social Science Association in the United States on the ‘Use of Silver in India’ during 1893.

Manifold Contributions

Swamiji proposed many new ideas in the field of economics at the global and the Indian levels. He emphasized the need for combining material prosperity with the spiritual values for the all-round development of people in different countries. When the western countries were accumulating wealth and involved in enjoying material pleasures, he told them clearly that it was necessary to imbibe higher principles for a meaningful life. The west is beginning to realize the meaning of his words only in recent years – after braving many sufferings and hard times.

The western economic ideas revolve around materialistic aspects. The economic theories and models that the western economists had been advocating over the years are now proved wrong. It is only now that the idea that life is a complex process of which economics is only a part is gaining ground.
Swamiji’s thoughts for the Indian economy encompass different areas that are crucial to the functioning of the economic system. He remains the one spiritual monk who emphasized the need for material progress of the society more than anyone else. This is the reason why he was called as ‘father of modern materialism.’ But he was not an arm-chair theorist, confined to standard sets of beliefs. His ideas cover diverse aspects necessary for the all-round development of different sections of people and the progress of the nation.

Indian Agriculture is Unique

India is basically an agricultural country. As a true visionary, Swami Vivekananda was fully aware of the importance of agriculture and noted that ‘Indians must not shy off from their unique characteristic of being an agrarian economy’. He wanted India to adopt modern scientific practices to improve agriculture. He was particular that the small farmers need to be encouraged.

His emphasis on agriculture remains true even in the present context, as about 60 percent of the population still depends on agriculture and rural activities. We are witnessing as to how the neglect of agriculture after independence is resulting in suicides and the younger generations leaving farming activities. This is not good for the future of the country. India has inherent strengths in agriculture, which the other countries lack. Besides, there is no other nation in the world that is capable of feeding our population, which is one sixth of humanity.

Industrialization

Swami Vivekananda advocated the development of the industrial sector for economic progress. He gave much importance to the promotion of a vibrant industrial sector. He was clear about the nature of industrialization also. He wanted Indians to take steps to make the required items without depending on foreign countries. His discussions with Jamshedji Tata during his voyage to Chicago in 1893 reveal his vision for the development of the industrial sector.

Swamiji’s emphasis on domestic production instead of imports has become very important for India now, as the country has been facing the heat at several fronts due increased imports in different sectors during recent periods.
Entrepreneurship and Promotion of Traditional Works

Swamiji was aware that India could be built only by developing the entrepreneurial talents of people. Hence he encouraged self-employment activities at different levels. He was concerned that the art works of the village communities were neglected and wanted them to be taken up by those in towns. Swamiji underlined the need for the cottage and small scale units, as he was aware of the negative effects of the big industries.74

Emphasis on Science and Technology

'Swamiji emphasized the use of modern science and technology to solve India’s problems. He wanted India to develop into a scientific and technological power. In this connection it is necessary to remember that it was the suggestion made by Swamiji to Jamshedji Tata that led to the establishment of the prestigious Indian Institute of Science.

Swamiji wanted Indians to learn Western science and adopt them in India. He said: With the help of Western science, set yourselves to dig the earth and produce food-stuffs – not by means of servitude of others – but by discovering new avenues of production, by your own exertions aided by Western science.

India to be built on Indian methods

Swamiji was particular that India should be built on her own methods. In this context, he quoted Japan to admonish Indians who imitate the West. To quote:

There, in Japan, you find a fine assimilation of knowledge, not its indigestion, as we have here. They have taken everything from the Europeans, but they remain Japanese all the same, and have not turned European; while in our country, the terrible mania of becoming westernized has seized upon us like a plague.

Swamiji was perhaps the first person who suggested an Indian model of economic development, even when the country was under the colonial rule. Ghosh notes:
The uniqueness of the Vivekananda doctrine lies in the fact that whatever remedies it suggests for India’s economic, political and spiritual regeneration, it derives from Swami’s practical experiences of life. He used to meet the common Indians directly whenever he went to different places. This made him confident that India has to develop an economic model for herself which will take the peculiarities of her social life into consideration.  

2.6.5 This is Business Integrity

‘Though a man of intense renunciation and personal integrity, Swami Vivekananda was also a pragmatic organizer. While he set in motion the world-wide Ramakrishna Movement, he also gave many practical instructions about its smooth conduct. He laid down certain profound principles while handling day-to-day works of the organization, especially while dealing with money. He called it ‘business integrity’. One finds many references to it in his life and letters a study of which may be a source of inspiration and guidance to those who are engaged in voluntary work. Swamiji insisted on transparency in all financial dealings and in some of his letters gives details of expenditure he incurred. He emphasized on maintaining proper account of all public donations and never mixing up things under any pretext.

This representative compilation from his nine-volume complete works gives a glimpse of this aspect of his personality and teachings. It is remarkable that Swamiji spoke of these matters more than a century back at a time when one hardly considered these aspects of financial dealings important or necessary. While Swamiji declined every offer of money while he moved as a wandering monk, he was meticulous and insisted on accountability and transparency. This underlies the fact of his deep and clear understanding of matters related to money transactions.  

Be financially transparent

‘The work (of the organization) is going on beautifully, I am very glad to say .... I will give you one advice however. All combined efforts in India sink under the weight of one iniquity – we have not yet developed strict business principles. Business is business, in the highest sense, and no friendship – or as the Hindu proverb
says, ‘eye-shame’ – should be there. One should keep the clearest account of everything in one’s charge – and never, never apply the funds intended for one thing to any other use whatsoever – even if one starves the next moment. This is business integrity.

Whenever I write to you about accounts, you feel that I have no confidence in you. ... My great anxiety is this: the work has somehow been started, but it should go on and progress even when we are not here; such thoughts worry me day and night. Any amount of theoretical knowledge one may have; but unless one does the thing actually, nothing is learnt. I refer repeatedly to election, accounts, and discussion so that everybody may be prepared to shoulder the work. If one man dies, another – why another only, ten if necessary – should be ready to take it up.

I think it desirable to give you special directions about certain matters ....

(1) To all those who collect money and send it to the Math ... the acknowledgement of the amounts will be issued from the Math.

(2) The acknowledgement must be in duplicate, one for the sender, and one for filing in the Math.

(3) There must be a big register in which all the names and addresses of the donors will be entered.

(4) Accounts, accurate to the last pie, must be kept of the amounts that are donated to the (Belur) Math Fund, and fully accurate accounts should be obtained from Sarada (Swami Trigunatitananda) and others to whom money is given. For lack of accurate account-keeping ....see that I am not accused as a cheat. These accounts should afterwards be published.

(5) Immediately go and register a will under lawyer’s advice to the effect that in case you and I die then Hari (Swami Turiyananda) and Sharat (Swami Saradananda) will succeed to all that there is in out math.

Before dying, I want to see that what I have established a s a result of my lifelong struggle is put in a more or less running condition. Consult the Committee in every detail regarding money matters. Get the signatures of the Committee for every
item of expenditure. Otherwise you also will be in for a bad name. This much is customary that people want some time or other an account of their donations. It is very wrong not to have it ready at every turn…. By such lethargy in the beginning, people finally become cheats. Make a committee of all those who are in the Math, and no expenditure will be made which is not countersigned by them – none at all I want work, I want vigour – no matter who lives or dies.\textsuperscript{77} ‘Keep as a fund for some permanent work the balance of the money left after the famine relief. Do not spend that money for any other purpose, and after giving the full accounts of the famine work, note down thus, ‘So much balance is left for some other good work’…

Is the money in the Bengal Bank, or have you kept it elsewhere? Be very careful about money matters: keep detailed accounts, and regarding money kneo for certain that one cannot rely even on one’s own father.

\textbf{Some Personal Instructions}

In a few days I leave for America. Send an account to Mrs. Bull as to how much was spent on purchase of land, how much on building, how much on maintenance etc.

We should hold an annual meeting of the Ramakrishna Mission, and also one for the Math. In both the meetings the accounts of famine relief must be submitted, and the report of the famine relief must be published. Keep all this ready.

Please pay 100 Rs. To Sister Nivedita immediately for plague work and credit it to a separate plague account.

….As for the accounts and the disposal of the Rs.30,000, do just what you please. I have given over the management to you, the Master will show you what is best to do. The money is Rs.35,000; the Rs.5,000, for building the cottage on the Ganga, I wrote to Saradananda not to use just now. I have already taken Rs.5,000 of that money. I am not going to take more. I had paid back Rs.2,000 or more of that Rs.5,000 in India. But it seems, Brahmananda, wanting to show as much of the Rs.35,000 intact as he could, drew upon my Rs.2,000; so I owe them Rs.5,000 still on that score.\textsuperscript{78}
2.7 Modern Management

2.7.1 Origin and Development:

"Rarely in human history has any institution emerged as quickly as management of had as great an impact so fast. In less than 150 years, management has transformed the social and economic fabric of the world’s developed countries."

On the threshold of World War I, a few thinkers were just becoming aware of management’s existence. But few people even in the most advanced countries had anything to do with it. Now the largest single group in the labour force, more than one-third of the total, are people whom the US Bureau of the Census calls “managerial and professional.” Management has been the main agent of this transformation. Management explains why, for the first time in human history, we can employ large number of knowledgeable, skilled people in productive work.

"Management is about human beings. Its task is to make people capable of joint performance, to make their strengths effective and their weakness irrelevant."

"Drucker writes, ‘is that the first systematic application of management theory and management principles did not take place in business enterprise. They occurred in the public sector.’"

2.7.2 Objectives of Management:

Objectives are required to define the business process and also create a performance measurement system of the management.

"Objectives therefore have to be set in these eight key areas:

1. Marketing
2. Innovation
3. Human Resources
4. Financial Resources
5. Physical Resources
6. Productivity
7. Social Responsibility
8. Profit Requirements.

Objectives are the basis for work and assignments. They determine the structure of the business, the key activities that must be discharged, and above all, the allocation of people to tasks. Objectives are the foundation for designing both the structure of the business and the work of individual units and individual managers. Objectives are always needed in all eight key areas. The area without specific objectives will be neglected. Unless we determine what will be measured and what the yardstick of measurement in an area will be, the area itself will not be seen.¹⁸³

"If objectives are only good intentions, they are worthless. They must be transformed into work. And work is always specific, always has – or – should have – clear, unambiguous, measurable results, a deadline and a specific assignment of accountability. But objectives that become straightjacket do harm. Objectives are always based on expectations. And expectations are, at best, informed guesses. Objectives express an appraisal of factors that are largely outside the business and not under control. The world does not stand still. "The proper way to use objectives is the way an airline uses schedules and flight plans. The schedule provides for the 9:00 A.M. flight from Los Angeles to get to Boston by 5:00 P.M. But if there is a blizzard in Boston that day, the plane will land in Pittsburg instead and wait out the storm. The flight plan provides for flying at thirty thousand feet and for flying over Denver and Chicago. But if the pilot encounters turbulence or strong headwinds, he will ask flight control for permission to go up another five thousand feet ad to take Minneapolis – Montreal route. Yet no flight is ever operated without schedule and flight plan. Any change is immediately fed back to produce a new schedule and flight plan. Unless 97 percent or so of its flights proceed on the original schedule and flight plan – or within a very limited range of deviation from – either – a well-run airline gets another operations manager who knows the job."¹⁸⁴

'Marketing objectives:

Marketing and Innovation are the foundation areas in objective setting. It is in these areas that a business obtains its results. It is performance and contribution in these areas for which a customer pays.

The marketing objectives are geared towards:
1. Existing products and services in existing and present markets.
2. ‘Abandonment of yesterday’ in product or service and markets.
3. New products or services for existing markets
4. New markets
5. The distributive organization
6. Service standards and service performance
7. Credit standards and credit performance.

Objectives in these areas can be set only after two key decisions have been made: the decision on concentration, and the decision on market standing.

Archimedes, one of the great scientists of antiquity, is reported to have said; “Give me a place to stand on, and I can lift the universe off its hinges.” The place to stand on is the area of concentration. It is the area that gives a business the leverage that lifts the universe off its hinges. The concentration decision is, therefore, crucial; it converts, in large measure, the definition of “what our business is” into meaningful operational commitment.

Market standing regardless of the sales volume is essential otherwise if the product becomes marginal it is very dangerous for the survival of the organization. The market is also against the monopoly of a single player and so a competition is always welcome in the market to have a sustained growth. A new innovative product would not breach the levels unless there are new suppliers so that the end users are constantly on the rise.

The other major decision underlying marketing objectives is that on market standing. One common approach is to say, We want to be the leader. The other one is to say, we don’t care what share of the market we have as long as sales go up. Both sound plausible, but both are wrong.

Obviously, not everybody can be the leader. One has to decide in which segment of the market, with what product, what services, what values, one should be the leader. It does not do much good for a company’s sales to go up if it loses market share, that is, if the market expands much faster than the company’s sales do.
A company with a small share of the market will eventually become marginal in the marketplace, and thereby exceedingly vulnerable.

Market standing, regardless of the sales curve, is therefore essential. The point at which the supplier becomes marginal varies from industry to industry. But to be a marginal producer is dangerous for long-term survival.

There is also a maximum market standing above which it may be unwise to go – even if there were no antitrust laws. Market domination tends to lull the leader to sleep; monopolists flounder on their own complacency rather than on public opposition. Market domination produces tremendous internal resistance against any innovation and thus makes adaptation to change dangerously difficult.

There is also well-founded resistance in the marketplace to dependence on one dominant supplier. Whether it is the purchasing agent of a manufacturing company, the procurement officer in the air force, or the housewife, no one likes to be at the mercy of the monopoly supplier.

Finally, the dominant supplier in a rapidly expanding, especially a new, market is likely to do less well than if it shared that market with one or two other major and competing suppliers. This may seem paradoxical – and most businesspeople find it difficult to accept. But the fact is that a new market, especially a new major market, tends to expand much more rapidly when there are several suppliers rather than only one. It may be very flattering to a supplier’s ego to have 80 percent of a market. But if as a result of domination by a single source, the market does not expand as it otherwise might, the supplier’s revenues and profits are likely to be considerably lower than they would be if two suppliers shared a fast expanding market. Eighty percent of 100 is considerably less than 50 percent of 250. A new market that has only one supplier is likely to become static at 100. It will be limited by the imagination of the one supplier who always knows what his product or service cannot or should not be used for. If there are several suppliers, they are likely to uncover and promote markets and end uses the single supplier never dreams of. And the market might grow rapidly to 250.

Du Pont seems to have grasped this. In its most successful innovations, Du Pont retains a sole-supplier position only until the new product has paid for the
original investment. Then Du Pont licenses the innovation and launches competitors deliberately. As a result, a number of aggressive companies start developing new markets and new uses for the product. Nylon would surely have grown much more slowly without Du Pont-sponsored competition. Its markets are still growing, but without competition it would probably have begun to decline in the early 1950s, when newer synthetic fibers were brought on the market by Monsanto and Union Carbide in the United States, by Imperial Chemicals in Great Britain, and by AKU in Holland. The market standing to aim at is not the maximum but the optimum.\textsuperscript{85}

\textbf{INNOVATION:}

The innovation objective is the objective through which a company makes operational its definition of "what our business should be." There are essentially three kinds of innovation in every business.

a. Innovation in product or service; - \textit{product innovation}'

b. Innovation in the marketplace and consumer behaviour and values. \textit{social innovation'}

c. Innovation in the various skills and activities needed to make the products and services and to bring them to market. \textit{managerial innovation'}

"The problem of setting innovation objective is measuring the relative impact and importance of various innovations. But how are we to determine what weighs more: a hundred minor but immediately applicable improvements in packaging a product, or one fundamental chemical discovery that after ten years of hard work may change the character of the business altogether? A department store and a pharmaceutical company will answer this question differently; but so may two different pharmaceutical companies.\textsuperscript{86}

\textbf{Resources Objectives:}

A group of objectives deals with the resources a business needs in order to be able to perform, with their supply, their utilization, and their productivity. All economic activity, economists have told us for two hundred years, requires three kinds of resources: land, that is, products of nature; labour, that is, human resources;
and capital, that is, the means to invest tomorrow. The business must be able to attract all three and to put them to productive use. A business that cannot attract the people and the capital it needs will not last long.

The first sign of decline of an industry is loss of appeal to qualified, able, and ambitious people. The decline of the American railroads, for instance, did not begin after World War II — it only became obvious and irreversible then. The decline actually set in around the time of World War I. Before World War I, able graduates of American engineering schools looked for a railroad career. From the end of World War I on — for whatever reason — the railroads no longer appealed to young engineering graduates, or to any educated young people.

In the two areas of people and capital supply, genuine marketing objectives are therefore required. The key questions are: What do our jobs have to be to attract and hold the kind of people we need and want? What is the supply available on the job market? And, what do we have to do to attract it? Similarly, What does the investment in our business have to be, in the form of bank loans, long-term debts or equity, to attract and hold the capital we need?

Resource objectives have to be set in a double process. One starting point is the anticipated needs of the business, which then have to be projected on the outside, that is, on the market for land, labor, and capital. But the other starting point is these "markets" themselves, which then have to be projected onto the structure, the direction, and the plans of the business.

**Productivity Objectives**

Attracting resources and putting them to work is only the beginning. The task of a business is to make resources productive. Every business, therefore, needs productivity objectives with respect to each of the three major resources, land, labor, and capital; and with respect to overall productivity itself.

A productivity measurement is the best yardstick for comparing managements of different units within an enterprise, and for comparing managements of different enterprises.
All businesses have access to pretty much the same resources. Except for the rare monopoly situation, the only thing that differentiates one business from another in any given field is the quality of its management on all levels. The first measurement of this crucial factor is productivity, that is, the degree to which resources are utilized and their yield.

The continual improvement of productivity is one of management’s most important jobs. It is also one of the most difficult; for productivity is a balance among a diversity of factors, few of which are easily definable or clearly measurable.

Labor is only one of the three factors of production. And if productivity of labor is accomplished by making the other resources less productive, there is actually loss of productivity.

Productivity is a difficult concept, but it is central. Without productivity objectives, a business does not have direction. Without productivity measurements, it does not have control.

**The Social Responsibilities objective:**

Only a few years ago managers as well as economists considered the social dimension so intangible that performance objectives could not be set. We have now learned that the intangible can become very tangible indeed. Lessons we have learned from the rise of consumerism, or from the attacks on industry for the destruction of the environment, are expensive ways for us to realize that business needs to think through its impacts and its responsibilities and to set objectives for both.

The social dimension is a survival dimension. The enterprise exists in a society and an economy. Within an institution one always tends to assume that the institution exists in a vacuum. And managers inevitably look at their business from the inside. But the business enterprise is a creature of a society and an economy, and society or economy can put any business out of existence overnight. The enterprise exists on sufferance and exists only as long as the society and the economy believe that it does a necessary, useful, and productive job.
That such objectives need to be built into the strategy of a business, rather than merely be statements of good intentions, needs to be stressed here. These are objectives that are needed not because the manager has a responsibility to society. They are needed because the manager has a responsibility to the enterprise.

**Profit as a Need and a Limitation**

Only after the objectives in the above key areas have been thought through and established can a business tackle the question, how much profitability do we need? *To attain any of the objectives entails high risks*. It requires effort, and that means cost. Profit is, therefore, needed to pay for attainment of the objectives of the business. Profit is a condition of survival. It is the cost of the future, the cost of saying in business. A business that obtains enough profit to satisfy its objectives in the key areas is a business that has the means of survival. A business that falls short of the profitability demands made by its key objectives is a marginal and endangered business. Profit planning is necessary. But it is planning for a needed minimum profitability rather than for that meaningless shibboleth “profit maximization.” The minimum needed may well turn out to be a good deal higher than the profit goals of many companies, let alone their actual profit results.⁸⁷

2.8 Management and Culture

2.8.1 Culture:

‘Because management deals with the integration of people in a common venture, it is deeply embedded in culture. What managers do in West Germany, in Britain, in the United States, in Japan, or in Brazil is exactly the same. How they do it may be quite different. Thus one of the basic challenges managers in a developing country face is to find and identify those parts of their own tradition, history, and culture that can be used as management building blocks. *The difference between Japan’s economic success and India’s relative backwardness is largely explained by the fact that Japanese managers were able to plant imported management concepts in their own cultural soil and make them grow.*’⁸⁸

‘According to the above, a change in deeply ingrained habits may be required. He provides the example as follows: “Electric-power and telephone companies always had their profits guaranteed by public regulation. Now they find themselves up
against cut throat competition. Customers demand just-in-time delivery. Consumers are increasingly picky about quality and service. Employees sue at the drop of a hat alleging discrimination and sexual harassment. And with product lives shrinking, there is an urgent need in most mechanical industries in the US (and even more in those Europe) to change drastically the way new products and new models are conceived, designed, made and marketed, with the process eventually being telescoped into months from years.”

Culture no matter how defined – is singularly persistent. Two countries Japan and Germany suffered the worst in the history due to the WORLD WAR –II with their values, their institutions and their cultures discredited. After several years and post war developments both the countries have retained their cultural values and grown to be developed economies. Japan could be the best example. The modern Japanese university and corporation are totally western in their form. But their fundamental behavior is Japanese. The western form is used only as a container. This is well brought out in the culture in the ‘lifetime commitment of a Japanese corporation to its employee and also the Japanese employee’s lifetime commitment to the corporation’. Or in organizing industry in ‘keiretsu’ groups of autonomous firms held together as ‘vassals’ by mutual dependence and mutual loyalty.

The reformers of India and China, by contrast felt they had to change their countries’ cultures and the results are only frustration, friction and confusion and nothing significantly more.  

Drucker quotes another example: ‘Konrad Adeneur in the 1920s was a vocal critic of Weimar Germany, for its ‘bourgeois’ values, its greed, its, materialism, its worship of money and business. When he became chancellor of a defeated Germany after world war II he deliberately and uncompromisingly strove to restore the pre-Hitler ‘bourgeois’ Germany he so thoroughly detested. When criticized- and he was harshly attacked by well-meaning ‘progressives’ both in Germany and in the west- he answered: ‘pre-Hitler Germany no matter how deficient, is the only culture Germans alive today know that still worked: we have no choice but to use it to build the new, the post-Hitler Germany. ’
'Drucker explains in detail American business example: 'the rail roads' in the late 1940's the American Railroads were losing money hand over fist. Worse still, they were losing market share to trucks and aeroplanes even faster. Yet they were clearly needed and so everybody agreed that "UNCLE SAM" (the Government) to take them over. The passenger business was taken over by the Government agencies and passenger business was never more than one-tenth of railroad traffic.

The Railroads' real business, freight traffic, remained totally private in the US; the only country in the world where this was the case. The American railroads began their turnaround around 1948 or 1949 when executives at the Union Pacific, the Chesapeake & Ohio and the Norfolk & Western first asked: What is the most important result we need?" They all answered: 'To get back on the railroad the shipment of finished automobiles from factory to dealer. Then the next question was, "Is anyone on any railroad actually doing this?"

"The moment the question was asked, they all realized that one subsidiary of the Chesapeake & Ohio – the one serving Flint, Michigan, home of the Buick division of General Motors – was actually increasing its share of finished automobile shipments while every other railroad in the country was losing automobile business. Yet all these people in Flint had done was to find out what traditional railroad services Buick needed and was willing to pay for – and then provide the service with true excellence."91

"If you have to change habits, don’t change culture. Change habits. And we know how to do that."

"The first thing is to define what results are needed. In the hospital emergency room, for instance, each patient should be seen within one minute after arrival by a competent person-for eg: an emergency room nurse. The new model of the washing machine or of the laptop computer has to be ready for market testing within fifteen months of its predecessor's introduction. Every customer inquiry, including every complaint, has to be settled within 24 hours.(the standard of a well-run mutual funds firm)"92

'Marshall Field in Chicago was one of the first of the high-class big-city department stores to get into trouble, in the 1970s-and one of the first ones to get out
of trouble too. Three or four successive CEOs tried to change the culture—to no avail. Then the new CEO came in who asked, ‘What do we have to produce by way of results?’ Every one of his store managers knew the answer, ‘We have to increase the amount each shopper spends per visit.’ Then he asked, ‘Do any of our stores actually do this?’ Three or four—out of 30 or so—did it. ‘Will you then tell us,’ the new CEO asked, ‘what you people do that gives you the desired results?’

In every single case these results were achieved not by doing something different but by systematically doing something every-one had known all along should be done, had in the policy manuals, and had been preaching—but only the few exceptions had been practicing.

The next step, therefore, is for top management to make sure that the effective behavior as it develops out of the organization’s own culture is actually being practiced. This means, above all, that senior management systematically asks, again and again: ‘What do we in senior management, and in this company as a whole, do that helps you to produce the results that all of us are agreed are the necessary ones?’ And: ‘What do we do that hampers you concentrating on these necessary results?’ People who successfully managed to get old and entrenched organizations to do the needed new things ask these questions at every single meeting with their associates—and take immediate action on what they hear. 93

‘Iraq vs. Grenada

Finally, changing habits and behavior requires changing recognitions and rewards. People in organization, we have known for a century, tend to act in response for being recognized and rewarded—everything else in preaching. The moment people in an organization are recognized—for instance by being asked to present to their peers what made them successful in obtaining the desired results—they will act to get the recognition. The moment they realize that the organization rewards for the right behavior they will accept it.

The best example: the way the American military services worked together in the recent Iraq campaign. In the invasion of Grenada in 1983 there was no cooperation at all between the services—if there had been the slightest opposition, the invasion would have ended in disaster. The military immediately organized all kinds
of conferences; pep sessions, lectures and so on, to preach cooperation. Still, less than a year and a half ago, the Panama invasion almost foundered because the services still did not cooperate.

Only a year later, in Iraq, cooperation worked as no service cooperation ever worked before. The reason: Word got around, I am told, that henceforth the appraisal of an officer’s cooperation with other services—as judged by those other services—would be a material factor in promotion decisions. 94

2.8.2 Swami Vivekananda’s Ideas on India’s Industrialization:

‘In this age the new ideas on the process of industrialization in a country are directly related to the urge of that nation to develop the standard of living for the masses. Therefore, the trust of the central government of India in recent times is primarily upon the industrial development of the nation. The recent economic reforms have heightened the eagerness of the authorities in power to take some new steps to accelerate the pace of industrialization in India. The central and the state governments are now working earnestly to implement the second phase of economic reforms. In these circumstances the government is caught between two apparently diverse approaches, namely, its social responsibilities on the one hand and its economic obligations on the other. Many economists believe that the economy in the year 1999–2000 is in a healthy state as industry is showing signs of revival, inflation rate is under control, exports have begun to increase after passing through an unfavourable situation and the business attitude in the country is improving in a satisfactory manner. This is reflected in the steady recovery in the stock markets in the couple of months during the end of 1999. At present there is more or less a wide political consensus on economic reforms. The gradual liberalization is bound to remove the quantitative restrictions on all imports. The developed countries, through the World Trade Organization, have been pressurizing the Indian authorities to accept the proposal of lower industrial tariffs.95

‘During the initial years, East India Company was more or less a trading corporation which brought goods from foreign countries and exchanged them for Indian articles like spices, textiles and others. But after the development of new industrial techniques in England, there was a rise of an industrial capitalist class. This
resulted in a change in the nature of the economic policy to be executed by the government because the new capitalist class of England put pressure on the East India Company to implement policies which were against the manufacturing interests of India. As a trading corporation, the East India Company wanted to procure goods and services cheaply and sell them profitably in the world market.⁹⁶

“We should take note of the fact that Swamiji was in favour of rapid industrialization of India. But, at the same time, he advocated a pattern of development where the small scale and cottage industries should not be neglected. Therefore, he visualized a balanced system of industrialization in which the large scale capital intensive industries and the small scale labour-intensive units could advance side by side. On the one hand, he was aware of the modern process of industrialization adopted in the West and Japan and on the other, he was acquainted with the negative impacts the catalyst of modernization had upon natural human development. He was in favour of a close tie between India and Japan. In his own words, “There, in Japan, you find a fine assimilation of knowledge, and not its indigestion, as we have here. They have taken everything from the Europeans, but they remain Japanese all the same, and have not turned European; while in our country, the terrible mania of becoming westernized has seized upon us like a plague”. In recent times, there is a trend in India to cite Japanese example in order to reform some sectors in the Indian economy. But we failed to understand that the Japanese people had accepted the technological know-how in their own manner. They implemented the modernization process and successfully harmonized the latest economic trends with their national pattern. This is the reason why Japan had succeeded.”⁹⁷

**Big-Push Theory**

“Swamiji realized that if a country remained industrially backward then its poverty cannot be permanently eliminated. Simply depending on agriculture would not be enough. Like many modern development economists he regarded the development of agriculture as the first step of the entire development process. There are two other very important steps to be taken. These two steps relate to the secondary
and tertiary sectors of the economy, agriculture being the primary sector. Secondary sector is the industrial sector and the tertiary sector is the trade and various services sector. In fact there is a symbiotic relationship among these three sectors, and their simultaneous development ensures economic prosperity of the country. This is the lesson that we learn from our study of economic history of the developed countries of the West.

Swamiji was not an economist. Even then from his practical knowledge he came to the right conclusion and advocated for the development of these two sectors. There may be some time-lag in between- that is passing from primary sector to secondary and tertiary sectors – but that can be minimized by taking suitable measures. Swamiji saw that India possesses plenty of natural and mineral resources which could be fruitfully utilized for industrial growth. He suggested some policies for industrialization but cautioned us that they should not be taken at the expense of agricultural growth. In his opinion our country needed simultaneous development of both agriculture and industry. The alien British Government was not interested in the development of large scale industries in India. Obviously such development would have adversely affected their selfish interests. In fact what they actually did led to some sort of de-industrialization of our economy. Our handicraft, a perennial source of income of our villagers, faced almost total demolition, causing great hardship of the people. Vivekananda’s policy was to give a boost to the manufacturing industries. He argued that if new industries, using the raw materials supplied by the primary sector, could be setup then two things would happen (a) the income level of the people would move up, and (b) new employment opportunities would be created. Using the economists’ jargon we may say that setting up of new manufacturing industries would have multiplier effect on the economy. This idea of Swamiji has close similarity with the idea of one modern development economist, namely Rosenstein-Rodan. He argued that in developing countries just because the market is limited in size simultaneous development of large industries would generate income leading to an expansion of the market. This theory is known as the ‘Big-Push’ theory. Swamiji also thought if manufacturing industries could be set up this would give a boost to the economy. And he was right. But, of course, there are problems in the implementation of this scheme. Capital fund, which is scarce in poor backward agricultural countries, must be available in the first place. Then again technologically
well-versed efficient labour must be available to run these manufacturing industries. Swamiji was aware of these difficulties. That is why he recommended setting up research institutes all over India where our workers will learn Western science and technology.98

‘In defense of his ‘big-push’ theory Swamiji argued that if different types of manufacturing industries could be set up then imports of many consumer goods could be minimized and a number of goods could be exported abroad. In other words foreign trade sector would flourish for the good of the country. We come to know of this view of Swamiji from his interactions with Jamshedji Tata, the eminent Indian industrialist. When Swamiji was going to America for attending the Parliament of Religions in Chicago, his co-passenger in the ship was Mr. Tata. They had free and frank discussions. Swamiji asked Tata why he imported matches from Japan to sell the same in India. Can he not himself produce these matches domestically? This would prevent the outflow of money from the country, and also would create employment opportunities for the indigenous workers. Swamiji also requested Jamshedji to exploit the mineral resources of Bihar and Madhya Pradesh in his efforts to set up new industries. Jamshedji was immensely impressed by the thinking and insight of Vivekananda. Jamshedji acknowledged this in a letter to Swamiji.99

‘Following the advice of Swamiji, Jamshedji Tata donated Rupees Thirty lakhs to set up an institute for scientific research and in doing so, he asked for the blessings of Vivekananda. This institute was set up at a later date, and came to be known as Tata Institute for research in fundamental Sciences which is a premier institute of its kind in the world. Ramakrishna Mission lauded this enterprise of Tata in 1899 in the April issue of its journal Prabuddha Bharat, and it goes without saying that the views of the Ramakrishna Mission were the views of Vivekananda.100

‘In America Swamiji gave a few lectures in which he averred that India needs to adopt a rapid industrialization programme. Otherwise her poverty would remain permanent and endemic. These lectures were delivered before he addressed the Parliament of Religions. All these lectures were published in the contemporary news papers of that country. In this context Swamiji also said that Western technology should be introduced in India in order to build up the infrastructure needed for industrial development of our country.101
'Can we dispense with foreign help in our development strategy? Contradictory answers are given to this question. Some say that our country can develop independently. There is no need for any foreign help. Of course they admit that such a policy would impose severe strain on our people. But according to them, there is a way out. The hardship of the people should not force the people to give up all efforts. If our workers are sincere then, at the end of the day, they would be able to develop appropriate technology by themselves by adopting what is called the technology 'learning by doing'. Professor Kenneth Arrow, the Nobel-laureate, is an ardent advocate of this policy. Theoretically speaking this argument seems quite logical. But it has some practical limitations. If we adhere to this policy then annual economic growth rate would be very low. This tardy growth rate would make the people impatient, and they would prefer to switch over to alternative strategy. In this context we can refer to India's third Five-year Plan whose primary objective was to ensure economic development by self-dependent development strategy. It ultimately failed, and in subsequent Five-Year Plans this self-reliant strategy of growth was abandoned. Hence the counter argument is that in these days of globalization when we can easily borrow technology from abroad it seems somewhat irrational to be narrowly nationalistic in our developmental activities. Foreign help, if it is not surreptitious plan for exploitation, is always welcome. This is the reason why many economists today are in favour of transfer of technology. Swamiji, even though not being an economist in the modern sense of the term, realized, like a true economist, that our country must depend on foreign nations for mechanized industrialization. Thus far he was talking like an economist. But thereafter he ceased to be a simple economist. His spiritual instinct came to dominate his thought. He argued that India would import foreign technology and export oriental spiritualism in exchange. Swamiji never condemned the policy of importing machines from abroad. But what would India export in exchange? Swamiji recommended the export of Indian spiritualism. India should send abroad the preachers of religion. Their job would be to enlighten the foreigners about the strength of Hindu religion. This, of course, is a philosophical approach. Here we find an interesting amalgam of economics and philosophy. \(^{102}\)

2.9 Will The Corporation Survive?
'For most of the time since the corporation was invented around 1870, the following five basic points have been assumed to apply:

1. The corporation is the "master", the employee is the "servant". Because the corporation owns the means of production without which the employee could not make a living, the employee needs the corporation more than the corporation needs the employee.

2. The great majority of employees work full-time for the corporation. The pay they get for the job is their only income and provides their livelihood.

3. The most efficient way to produce anything is to bring together under one management as many as possible of the activities needed to turn out the product.

The theory underlying this was not developed until after the Second World War, by Ronald Coase, an Anglo American economist, who argued that bringing together activities into the company lowers "transactional costs," and especially the cost of communications (for which theory he received the 1991 Nobel Prize in economics). But the concept itself was discovered and put into practice seventy or eighty years earlier by John D. Rockefeller. He saw that to put exploration, production, transport, refining, and selling into one corporate structure resulted in the most efficient and lowest-cost petroleum operation. On this insight he built the Standard Oil Trust, probably the most profitable large enterprise in business history. The concept was carried to an extreme by Henry Ford in the early 1920s. The Ford Motor Company not only produced all parts of the automobile and assembled it, but it also made its own steel, its own glass, and its own tires. It owned the plantations in the Amazon that grew the rubber trees, owned and ran the railroad that carried supplies to the plant and carried the finished cars from it, and planned eventually to sell and service Ford cars, too (though it never did).

4. Suppliers and especially manufacturers have market power because they have information about a product or a service that the customer does not and cannot have, and does not need if he can trust the brand. This explains the profitability of brands.

5. To any one particular technology pertains one and only one industry, and conversely, to any one particular industry pertains one and only one technology.
This means that all technology needed to make steel is peculiar to the steel industry; and conversely, that whatever technology is being used to make steel comes out of the steel industry itself. The same applies to the paper industry, to agriculture, or to banking and commerce.103

‘On this assumption were founded the industrial research labs, beginning with Siemens’s, started in Germany in 1869, and ending with IBM’s, the last of the great traditional labs, founded in America in 1952. Each of them concentrated on the technology needed for a single industry, and each assumed that its discoveries would be applied in that industry.

Similarly, everybody took it for granted that every product or service had a specific application, and that for every application there was a specific product or material. So beer and milk were sold only in glass bottles; car bodies were made only from steel; working capital for a business was supplied by a commercial bank through a commercial loan; and so on. Competition therefore took place mainly within an industry. By and large, it was obvious what the business of a given company was and what its markets were.104

**Everything in its Place:**

Every one of these assumptions remained valid for a whole century, but from 1970 onward every one of them has been turned upside down. The list now reads as follows:

1. The means of production is knowledge, which is owned by knowledge workers and is highly portable. This applies equally to high-knowledge workers such as research scientists and to knowledge technologies such as physiotherapists, computer technicians, and paralegals. Knowledge workers provide “capital” just as much as does the provider of money. The two are dependent on each other. This makes the knowledge worker an equal-an associate or a partner.

2. Many employees, perhaps a majority, will still have full-time jobs with a salary that provides their only or main income. But a growing number of people who work for an organization will not be full-time employees but part-timers, temporaries, consultants, or contractors. Even of those who do have a
full-time job, a large and growing number may not be employees of the organization for which they work, but employees of, e.g., an outsourcing contractor.

3. There always were limits to the importance of transactional costs. Henry Ford's all-inclusive Ford Motor Company proved unmanageable and became a disaster. But now the traditional axiom that an enterprise should aim for maximum integration has become almost entirely invalidated. One reason is that the knowledge needed for any activity has become highly specialized. It is therefore increasingly expensive, and also increasingly difficult, to maintain enough critical mass for every major task within an enterprise. And because knowledge rapidly deteriorates unless it is used constantly, maintaining within an organization an activity that is used only intermittently guarantees incompetence.

The second reason why maximum integration is no longer needed is that communications costs have come down so fast as to become insignificant. This decline began well before the Information Revolution. Perhaps its biggest cause has been the growth and spread of business literacy. When Rockefeller built his Standard Oil Trust, he had great difficulty finding people who knew even the most elementary bookkeeping or had heard of the most common business terms. At the time there were no business textbooks or business courses, so the transactional costs of making oneself understood were extremely high. Sixty years later, by 1950 or 1960, the large oil companies that succeeded the Standard Oil Trust could confidently assume that their more senior employees were business literate.

By now the new information technology—Internet and e-mail—have practically eliminated the physical costs of communications. This has meant that the most productive and most profitable way to organize is to disintegrate. This is being extended to more and more activities. Outsourcing the management of an institution's information technology, data processing, and computer system has become routine. In the early 1990s most American computer firms, e.g., Apple, even outsourced the production of their hardware to manufacturers in Japan or Singapore. In the late 1990s practically every Japanese consumer-electronics company repaid
the compliment by outsourcing the manufacturing of its products for the American market to American contract manufacturers.

In the past few years the entire human-resources management of more than 2 million American workers-hiring, firing, training, benefits, and so on-has been outsourced to professional employee organizations. This sector, which ten years ago barely existed, is now growing 30 percent a year. It originally concentrated on small and medium size companies, but the biggest of the firms, Exult, founded only in 1998, now manages employment issues for a number of Fortune 500 companies, including BP, a British-American oil giant, and Unisys, a computer maker. According to a study by McKinsey, a consultancy, outsourcing human-relations management in this way can save up to 30 percent of the cost and increase employee satisfaction as well.

4. The customer now has the information. As yet, the Internet lacks the equivalent of a telephone book that would make it easy for users to find what they are looking for. It still requires pecking and hunting. But the information is somewhere on a Web site, and search firms to find it for a fee are rapidly developing. Whoever has the information has the power. Power is thus shifting to the customer, be it another business or the ultimate consumer. Specifically, that means the supplier, e.g., the manufacturer, will cease to be a seller and instead become a buyer for the customer. This is already happening.

General Motors (GM), still the world’s largest manufacturer and many years its most successful selling organization, last year announced the creation of a major business that will buy for the ultimate car consumer. Although wholly owned by GM, the business will be autonomous and will buy not only General Motors cars, but whatever car and model most closely fits the individual customer’s preferences, values, and wallet.

5. Lastly, there are few unique technologies anymore. Increasingly, the knowledge needed in a given industry comes out of some totally different technology with which, very often, the people in the industry are unfamiliar. No one in the telephone industry knew anything about fiberglass cables. They were developed by a glass company, Corning. Conversely, more than half the important inventions developed since the Second World War by the most productive of the great
research labs, the Bell Laboratories, have been applied mainly outside the telephone industry.

The Bell Labs’ most significant invention of the past fifty years was the transistor, which created the modern electronics industry. But the telephone company saw so little use for this revolutionary new device that it practically gave it away to anybody who asked for it—which is what put Sony, and with it the Japanese, into the consumer-electronics business. 105

‘Who needs a research lab?’

Research directors, as well as high-tech industrialists, now tend to believe that the company-owned research lab, that proud nineteenth-century invention, has become obsolete. This explains why, increasingly, development and growth of a business are taking place not inside the corporation itself but through partnerships, joint ventures, alliances, minority participation, and know-how agreements with institutions in different industries and with a different technology. Something that only fifty years ago would have been unthinkable is becoming common: alliances between institutions of a totally different character, say a profit making company and a university department, or a city or state government and a business that contracts for a specific service such as cleaning the streets or running prisons.

 Practically no product or service any longer has either a single specific end-use or application, or its own market. Commercial paper competes with the banks’ commercial loans. Cardboard, plastic, and aluminum compete with glass for the bottle market. Glass is replacing copper in cables. Steel is competing with wood and plastic in providing the studs around which the American one-family home is constructed. The deferred annuity is pushing aside traditional life insurance—but, in turn, insurance companies rather than financial service institutions are becoming the managers of commercial risks.

A “glass company” may therefore have to redefine itself by what it is good at doing rather than by the material in which it has specialized in the past. One of the world’s largest glassmakers, Corning, sold its profitable business making traditional glass products to become the number one producer and supplier of high-tech materials. Merck, America’s largest pharmaceutical company,
diversified from making drugs into wholesaling every kind of pharmacy product, most of them not even made by Merck, and a good many by competitors.

The same sort of thing is happening in the nonbusiness sectors of the economy. One example is the freestanding “birthing center” run by a group of obstetricians that competes with the American hospital’s maternity ward. And Britain, long before the Internet, created the “open university”, which allows people to get a university education and obtain a degree without ever setting foot in a classroom or attending a lecture.¹⁰⁶

'The next company

One thing is almost certain: In future there will be not one kind of corporation but several different ones. The modern company was invented simultaneously but independently in three countries: America, Germany, and Japan. It was a complete novelty and bore no resemblance to the economic organization that had been the “economic enterprise” for millennia: the small, privately owned, and personally run firm. As late as 1832, England’s McLane Report—the first statistical survey of business—found that nearly all firms were privately owned and had fewer than ten employees. The only exceptions were quasi governmental organizations such as the Bank of England or the East India Company. Forty years later a new kind of organization with thousands of employees had appeared on the scene, e.g., the American railroads, built with federal and state support, and Germany’s Deutsche Bank.

Wherever the corporation went, it acquired some national characteristics and adapted to different legal rules in each country. Moreover, very large corporations everywhere are being run quite differently from the small owner-managed kind. And there are substantial internal difference in culture, values, and rhetoric between corporations in different industries. Banks everywhere are very much alike, and so are retailers or manufacturers. But banks everywhere are different from retailers or manufacturers. Otherwise, however, the differences between corporations everywhere are more of style than of substance. The same is true of all other organizations in modern society: government agencies, armed forces, hospitals, universities, and so on.
The tide turned around 1970, first with the emergence of new institutional investors such as pension funds and mutual trusts as the new owners, then-more decisively-with the emergence of knowledge workers as the economy's big new resource and the society's representative class. The result has been a fundamental change in the corporation.

A bank in the Next Society will still not look like a hospital nor be run like one. But different banks may be quite different from one another, depending on how each of them responds to the changes in its workforce, technology, and markets. A number of different models are likely to emerge, especially of organization and structure, but perhaps also of recognitions and rewards.

The same legal not-for-profit organization—may well contain several different human organizations that interlock, but are managed separately and differently. One of these is likely to be a traditional organization of full-time employees. Yet there may also be a closely linked but separately managed human organization made up mainly of older people who are not employees but associates are affiliates. And there are likely to be “perimeter” groups such as the people who work for the organization, even full-time, but as employees of an outsourcing contractor or of a contract manufacturer. These people have no contractual relationship with the business they work for, which in turn has no control over them. They may not have to be “managed”, but they have to be made productive. They will therefore have to be deployed where their specialized knowledge can make the greatest contribution. Despite all the present talk of “knowledge management”, no one yet really knows how to do it.

Just as important, the people in every one of these organizational categories will have to be satisfied. Attracting them and holding them will become the central task of people management. We already know what does not work: bribery. In the past ten or fifteen years many businesses in America have used bonuses or stock options to attract and keep knowledge workers. It always fails.

According to an old saying, you cannot hire a hand, the whole man always comes with it. But you cannot hire a man either: the spouse almost always comes with it. And the spouse has already spent the money when falling profits eliminate the bonus
or falling stock prices make the option worthless. Then both the employee and the spouse feel bitter and betrayed.

Of course knowledge workers need to be satisfied with their pay, because dissatisfaction with income and benefits is a powerful disincentive. The incentives, however, are different. The management of knowledge workers should be based on the assumption that the corporation needs more they need the corporation. They know they can leave. They have both mobility and self-confidence. This means they have to be treated and managed as volunteers, in the same way as volunteers who work for not-for-profit organizations. The first thing such people want to know is what the company is trying to do and where it is going. Next, they are interested in personal achievement and personal responsibility—which means they have to be put in the right job. Knowledge workers except continuous learning and continuous training. Above all, they want respect, not so much for themselves but for their area of knowledge. In that regard, they have moved several steps beyond traditional workers, who used to except to be told what to do, although lately they are increasingly expected to "participate". Knowledge workers, by contrast, except to make the decisions in their own area.107

'From corporation to confederation

Eighty years ago, GM first developed both the organizational concepts and the organizational structure on which today's large corporations everywhere are based.' It also invented the idea of a distinct top management. Now it is experimenting with a range of new organizational models. It has been changing itself from a unitary corporation held together by control through ownership into a group held together by management control, with GM often holding only a minority stake. GM now controls but does not own Fiat, itself one of the oldest and largest carmakers. It also controls Saab in Sweden and two smaller Japanese car-makers, Suzuki and Isuzu.

At the same time GM has divested itself of much of its manufacturing by spinning off into a separate company, called Delphi, the making of parts and accessories that together account for 60-70 percent of the cost of producing a car. Instead of owning – or at least controlling – the suppliers of parts and accessories, GM will in future buy them at auction and on the Internet. It has joined up with its
American competitors Ford and DaimlerChrysler to create an independent purchasing cooperative that will buy for its members from whatever source offers the best deal. All the other carmakers have been invited to join.

GM will still design its cars, it will still make engines, and it will still assemble. It will also still sell its cars through its dealer network. But in addition to selling its own cars, GM intends to become a car merchant and a buyer for the ultimate consumer, finding the right car for the buyer no matter who makes it.¹⁰⁸

The TOYOTA Way

¹GM is still the world’s largest car manufacturer, but for the past twenty years Toyota has been the most successful one. Like GM, Toyota is building a worldwide group, but unlike GM, Toyota has organized its group round its core competence in manufacturing. The company is moving away from having multiple suppliers of parts and accessories, ultimately aiming for no more than two supplies for any one part. These suppliers will be separate and independent companies, owned locally, but Toyota will in effect run their manufacturing operation for them. They will get the Toyota business only if they agree to being inspected and “advised” by a special Toyota manufacturing consulting organization. And Toyota will also do most of the design work for the suppliers.

This is not a new idea. Sears Roebuck did the same for its suppliers in the 1920s and 1930s. Britain’s Marks & Spencer, although in deep trouble now, was the world’s most successful retailer for fifty years, maintaining its preeminence largely by keeping an iron grip on its suppliers. It is rumored in Japan that Toyota intends ultimately to market its manufacturing consultancy to noncar companies, turning its manufacturing core competence into a separate big business.

Yet another approach is being explored by a large manufacturer of branded and packaged consumer goods. Some 60 percent of the company’s products are sold in the developed countries through some 150 retail chains. The company plans to create a worldwide Web site that will take orders direct from customers in all countries, either to be picked up in the retail store nearest to them or to be delivered by that store to their home. But-and this is the true innovation-the Web site will also take orders for noncompeting packaged and branded consumer products made by
other, and especially smaller, firms. Such firms have great difficulty in getting their wares onto increasingly crowded supermarket shelves. The multinational’s Web site could offer them direct access to customers and delivery through an established large retailer. The payoff for the multinational and the retailer would be that both get a decent commission without having to invest any money of their own, without risk and without sacrificing shelf space to slow-moving items.

There are already a good many variations on this theme: the American contract manufacturers, already mentioned, who now make the products for half a dozen competing Japanese consumer-electronics firms; a few independent specialists who design software for competing information-hardware makers; the independent specialists who design credit cards for competing American banks and also often market and clear the cards for the bank. All the bank does is the financing.

These approaches, however different, still all take the traditional corporation as their point of departure. But there are also some new ideas that do away with the corporate model altogether. One example is a “syndicate” being tested by several noncompeting manufacturers in the European Union. Each of the constituent companies is medium-size, family-owned, and owner-managed. Each is a leader in a narrow, highly engineered product line. Each is heavily export-dependent. The individual companies intend to remain independent, and to continue to their products separately. They will also continue to make them in their own plants for their main markets, and to sell them in these markets. But for other markets, and especially for emerging or less developed countries, the syndicate will arrange for the making of the products, either in syndicate-owned plants producing for several of the members or by local contract manufacturers. The syndicate will handle the delivery of all members’ products and service them in all markets. Each member will own a share of the syndicate, and the syndicate, in turn, will own a small share of each member’s capital. If this sounds familiar, it is. The model is the nineteenth-century farmers’ cooperative.109

The future of top management

As the corporation moves toward a confederation or a syndicate, it will increasingly need a top management that is separate, powerful, and accountable. This
top management’s responsibilities will cover the entire organization’s direction, planning, strategy, values, and principles; its structure and its relationship between its various members; its alliances, partnerships, and joint ventures; and its research, design, and innovation. It will have to take charge of the management of the two resources common to all units of the organization: key people and money. It will represent the corporation to the outside world and maintain relationships with governments, the public, the media, and organized labor.

**Life at the top**

An equally important task for top management in the Next Society’s corporation will be to balance the three dimensions of the corporation: as an economic organization, as a human organization, and as an increasingly important social organization. Each of the three models of the corporation developed in the past half-century stressed one of these dimensions and subordinated the other two. The German model of the “social market economy” put the emphasis on the social dimension, the Japanese one on the human dimension, and the American one (“shareholder sovereignty”) on the economic dimension.

None of the three is adequate on its own. The German model achieved both economic success and social stability, but at the price of high unemployment and dangerous labor-market rigidity. The Japanese model was strikingly successful for twenty years, but faltered at the first serious challenge; indeed it has become a major obstacle to recovery from Japan’s present recession. Shareholder sovereignty is also bound to flounder. It is a fair-weather model that works well only in times of prosperity. Obviously the enterprise can fulfill its human and social functions only if it prospers as a business. But now that knowledge workers are becoming the key employees, a company also needs to be a desirable employer to be successful.

Paradoxically, the claim to the absolute primacy of business gains that made shareholder sovereignty possible has also highlighted the importance of the corporation’s social function. The new shareholders whose emergence since 1960 or 1970 produced shareholder sovereignty are not “capitalists.” They are employees who own a stake in the business through their retirement and pension funds. By 2000, pension funds and mutual funds had come to own the majority of the share capital of
America's large companies. This has given shareholders the power to demand short-term rewards. But the need for a secure retirement income will increasingly focus on people's minds on the future value of the investment. Corporations, therefore, will have to pay attention both to their short-term business results and to their long-term performance as providers of retirement benefits. The two are not irreconcilable, but they are different, and they will have to be balanced.

Over the past decade or two, managing a large corporation has changed out of all recognition. That explains the emergence of the "CEO superman," such as Jack Welch of GE, Andrew Grove of Intel, or Sanford Weil of Citigroup. But organizations cannot rely on supermen to run them; the supply is both unpredictable and far too limited. Organizations survive only if they can be run by competent people who take their job seriously. That it takes genius today to be the boss of a big organization clearly indicates that top management is in crisis.¹¹⁰

Impossible jobs

The recent failure rate of chief executives in big American companies points in the same direction. A large proportion of CEOs of such companies appointed in the past ten years were fired as failures within a year or two. But each of these people had been picked for his proven competence, and each had been highly successful in his previous jobs. This suggests that the jobs they took on had become undoable. The American record suggests not human failure but systems failure. Top management in big organizations needs a new concept.

Some elements of such a concept are beginning to emerge. For instance, Jack Welch at GE has built a top management team in which the company's chief financial officer and its chief human-resources officer are near equals to the chief executive and are both excluded from the succession to the top job. He has also given himself and his team a clear and publicly announced priority task on which to concentrate. During his twenty years in the top job, Mr. Welch has had three such priorities, each occupying him for five years or more. Each time he has delegated everything else to the top managements of the operating businesses within the GE confederation.

A different approach has been taken by asea Brown Boveri (ABB), a huge Swedish – Swiss engineering multinational. Goran Lindahl, who retired as chief
executive earlier this year, went even further than GE in making the individual units within the company into separate world-wide businesses and building up a strong top-management team of a few non-operating people. But he also defined for himself a new role as a one-man information system for the company, traveling incessantly to get to know all the senior managers personally, listening to them and telling them what went on within the organization.

A largish financial services company tried another idea: appointing not one CEO but six. The head of each of the five operating businesses is also CEO for the whole company in one top-management area, such as corporate planning and strategy or human resources. The company’s chairman represents the company to the outside world and is also directly concerned with obtaining, allocating, and managing capital. All six people meet twice a week as the top management committee. This seems to work well, but only because none of the five operating CEOs wants the chairman’s job; each prefers to stay in operations. Even the man who designed the system, and then himself took the chairman’s job, doubts that the system will survive once he is gone.

In their different ways, the top people at all of these companies were trying to do the same thing: to establish their organization’s unique personality. And that may well be the most important task for top management in the Next Society’s big organizations. In the half-century after the Second World War, the business corporation has brilliantly proved itself as an economic organization, i.e., a creator of wealth and jobs. In the Next Society, the biggest challenge for the large company—especially for the multinational—may be its social legitimacy: its values, its mission, its vision. Increasingly, in the Next Society’s corporation, top management will, in fact, be the company. Everything else can be outsourced.

Will the corporation survive?

Yes, after a fashion. Something akin to a corporation will have to coordinate the Next Society’s economic resources. Legally and perhaps financially, it may even look much the same as today’s corporation. But instead of there being a single model adopted by everyone, there will be range of models to choose from. And there equally will be a number of top-management models to choose from.111
The way ahead

The Next Society has not quite arrived yet, but it has got far enough for action to be considered in the following areas:

The Future Corporation

Enterprises—including a good many non-businesses, such as universities—should start experimenting with new corporate forms and conducting a few pilot studies, especially in working with alliances, partners, and joint ventures, and in defining new structures and new tasks for top management. New models are also needed for geographical and product diversification for multinational companies, and for balancing concentration and diversification.

People Policies

The way people are managed almost everywhere assumes that the workforce is still largely made up of people who are employed by the enterprise and work full-time for it until they are fired, quit, retire, or die. Yet already in many organizations as many as two-fifths of the people who work there are not employees and do not work full-time.

Today’s human-resources managers also still assume that the most desirable and least costly employees are young ones. In America especially, older people, and particularly older managers and professionals, have been pushed into early retirement to make room for younger people, who are believed to cost less or to have more up-to-date skills. The results of this policy have not been encouraging. Generally speaking, after two years wage costs per employee for the younger recruits tend to be back where they were before the “oldies” were pushed out, if not higher. The number of salaried employees seems to be going up at least as fast as production or sales, which means that the new young hires are no more productive than the old ones were. But in any event, demography will make the present policy increasingly self-defeating and expensive.

The first need is for a people policy that covers all those who work for an enterprise, whether they are employed by it or not. After all, the performance of every
single one of them matters. So far, no one seems to have devised a satisfactory solution to this problem. Second, enterprises must attract, hold, and make productive people who have reached official retirement age, have become independent outside contractors, or are not available as full-time permanent employees. For example, highly skilled and educated older people, instead of being retired, might be offered a choice of continuing relationships that convert them into long-term “inside outsiders,” preserving their skill and knowledge for the enterprise and yet giving them the flexibility and freedom they except and can afford.

There is a model for this, but it comes from academia rather than business: the professor emeritus, who has vacated his chair and no longer draws a salary. He remains free to teach as much as he wants, but gets paid only for what he does. Many emeriti do retire altogether, but perhaps as many as half continue to teach part-time, and many continue to do full-time research. A similar arrangement might well suit senior professionals in a business. A big American corporation is currently trying out such an arrangement for older top-level people in its law and tax departments, in research and development, and in staff jobs. But for people in operating work, e.g., sales or manufacturing, something different needs to be developed.

Outside Information

Perhaps surprisingly, it can be argued that the Information Revolution has caused managements to be less well informed than they were before. They have more data, to be sure, but most of the information so readily made available by IT is about internal company matters. As this survey has shown, though, the most important changes affecting an institution today are likely to be outside ones, which present information systems usually know nothing about.

One reason is that information about the outside world is rarely available in computer-usable form. It is not codified, nor is it usually quantified. This is why IT people, and their executive customers, tend to scorn information about the outside world as “anecdotal.” Moreover, far too many managers assume, wrongly, that the society they have known all their lives will remain the same forever.

Change Agents
To survive and succeed, every organization will have to turn itself into a change agent. The most effective way to manage change successfully is to create it. But experience has shown that grafting innovation on to a traditional enterprise does not work. The enterprise has to become a change agent. This requires the organized abandonment of things that have been shown to be unsuccessful, and the organized and continuous improvement of every product, service, and process within the enterprise (which the Japanese call kaizen). It requires the exploitation of successes, especially unexpected and unplanned-for ones, and it requires systematic innovation. The point of becoming a change agent is that it changes the mind-set of the entire organization. Instead of seeing change as threat, its people will come to consider it an opportunity.112

And Then?

'So much for getting ready for the future that we can already see taking shape. But what about future trends and events we are not even aware of yet? If there is one thing that can be forecast with confidence, it is that the future will turn out in unexpected ways.

Take, for example, the Information Revolution. Almost everybody is sure of two things about it: first, that it is proceeding with unprecedented speed; and second, that its effects will be more radical than anything that has gone before. Wrong, and wrong again. Both in its speed and its impact, the Information Revolution uncannily resembles its two predecessors within the past two hundred years, the First Industrial Revolution of the later eighteenth and early nineteenth centuries and the Second Industrial Revolution in the late nineteenth century.

The First Industrial Revolution, triggered by James Watt's improved steam engine in the mid-1770s, immediately had an enormous impact on the West’s imagination, but it did not produce many social and economic changes until the invention of the railroad in 1829, and of prepaid postal service and of the telegraph in the decade thereafter. Similarly, the invention of the computer in the mid-1940s, the Information Revolution’s equivalent of the steam engine, stimulated people’s imagination, but it was not until more than forty years later, with the spread of the
Internet in the 1990s, that the Information Revolution began to bring about big economic and social changes.

Equally, today we are puzzled and alarmed by the growing inequality in income and wealth and by the emergence of the “superrich,” such as Microsoft’s Bill Gates. Yet the same sudden and inexplicable growth in inequality, and the same emergence of the “superrich” of their day, characterized both the First and the Second Industrial Revolutions. Relative to the average income and average wealth of their time and country, those earlier superrich were a good deal richer than a Bill Gates is relative to today’s average income and wealth in America.

These parallels are close and striking enough to make it almost certain that, as in the earlier Industrial Revolutions, the main effects of the Information Revolution on the Next Society still lie ahead. The decades of the nineteenth century following the First and Second Industrial Revolutions were the most innovative and most fertile periods since the sixteenth century for the creation of new institutions and new theories. The First Industrial Revolution turned the factory into the central production organization and the main creator of wealth. Factory workers became the first new social class since the appearance of knights in armor more than one thousand years earlier. The house of Rothschild, which emerged as the world’s dominant financial power after 1810, was not only the first investment bank but also the first multinational company since the fifteenth century Hanseatic League and the Medici. The First Industrial Revolution brought forth, among many other things, intellectual property, universal incorporation, limited liability, the trade union, the cooperative, the technical university, and the daily newspaper. The Second Industrial Revolution produced the modern civil service and the modern corporation, the commercial bank, the business school, and the first non-menial jobs outside the home for women.

The two Industrial Revolutions also bred new theories and new ideologies. The communist Manifesto was a response to the first Industrial Revolution; the political theories that together shaped the twentieth-century democracies—Bismarck’s welfare state, Britain’s Christian Socialism and Fabians, America’s regulation of business—were all responses to the second one. So was Frederick Winslow Taylor’s “scientific management” (starting in 1881), with its productivity explosion.
Big Ideas

Following the Information Revolution, once again we see the emergence of new institutions and new theories. The new economic regions—the European Union, NAFTA, and the proposed Free-Trade Area of the Americas— are neither traditionally free-trade nor traditionally protectionist. They attempt a new balance between the two, and between the economic sovereignty of the national state and supranational economic decision-making. Equally, there is no real precedent for the Citigroups, Goldman Sachs, or ING Barings that have come to dominate world finance. They are not multinational but transnational. The money they deal in is almost totally beyond the control of any country’s government or central bank.

And then there is the upsurge in interest in Joseph Schumpeter’s postulates of “dynamic disequilibrium” as the economy’s only stable state; of the innovator’s “creative destruction” as the economy’s driving force; and of new technology as the main, if not the only, economic change agent—the very antithesis of all prevailing economic theories based on the idea of equilibrium as a healthy economy’s norm, monetary and fiscal policies as the drivers of a modern economy, and technology as an “externality.”

All this suggests that the greatest changes are almost certainly still ahead of us. We can also be sure that the society of 2030 will be very different from that of today, and that it will bear little resemblance to that predicted by today’s best-selling futurists. It will not be dominated or even shaped by information technology. It will, of course, be important, but it will be only one of several important new technologies. The central feature of the Next Society, as of its predecessors, will be new institutions and new theories, ideologies, and problems.113

2.10 Corporate Social Responsibility

The contemporary relevance of Gandhian economic ideas is evident in another aspect of modern economic thinking. In recent years some economists are putting emphasis on what they call corporate Social Responsibility. In their view corporate Social Responsibility is akin to Gandhiji’s concept of sarvodaya which means welfare
of all. He wanted the rich to part with a portion of their wealth for the welfare of the hapless people. To what extent the rich would do so is another question. But he expected that they would be good enough to read the economic scenario properly and act accordingly.

It is argued that the concept of Corporate Social Responsibility is becoming increasingly relevant in today’s society, plagued as it is by inequality and other inconveniences. This concept implies that the corporate sector, which earns profit by selling goods and services, also has a certain responsibility towards the society. This is essential to promote growth with equity and for achieving what is called an inclusive society. Today an increasing number of industrial houses are taking active interest in the welfare of their employees, their families and of the society as a whole. The spheres of activity of the industrial houses include the provision of basic necessities like pure drinking water, primary education, health facilities and development of environment-friendly technology.\textsuperscript{114}

\textbf{Companies Act 2013}

Corporate Social Responsibility has been brought under the legal system by the Companies Act, 2013.

‘(1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

(2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

(3) The Corporate Social Responsibility Committee shall,—

(a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;

(b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and

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(c) monitor the Corporate Social Responsibility Policy of the company from time to
time.

(4) The Board of every company referred to in sub-section (1) shall,--

(a) after taking into account the recommendations made by the Corporate Social
Responsibility Committee, approve the Corporate Social Responsibility Policy for
the company and disclose contents of such Policy in its report and also place it on
the company's website, if any, in such manner as may be prescribed; and

(b) ensure that the activities as are included in Corporate Social Responsibility Policy
of the company are undertaken by the company.

(5) The Board of every company referred to in sub-section (1), shall ensure that the
company spends, in every financial year, at least two per cent. of the average net
profits of the company made during the three immediately preceding financial
years, in pursuance of its Corporate Social Responsibility Policy:

Provided that the company shall give preference to the local area and areas around
it where it operates, for spending the amount earmarked for Corporate Social
Responsibility activities:

Provided further that if the company fails to spend such amount, the Board shall,
in its report made under clause (o) of sub-section (3) of section 134, specify the
reasons for not spending the amount.

Explanation.--For the purposes of this section "average net profit" shall be
calculated in accordance with the provisions of section 198.
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CHAPTER 3

Ancient Strategies

3.1 Line, Circle and Spiral

"Organisations – and individuals – think in three distinct ways in their quest for growth." Vishnu is the preserver of the world according to the Puranas. He participates in worldly life and engages with people to create a world that attracts Lakshmi, goddess of wealth. Of the many symbols of Vishnu, there are three that communicate ideas that may help those who also seek to create ecosystems that are economically viable and sustainable.²

The first symbol is the 'tilak' on Vishnu's forehead, which is essentially a straight line drawn vertically upwards. The second symbol is the wheel or 'chakra' in his right hand. The third symbol is the 'shankha' or conch-shell.

The first symbol or tilak indicates a clear direction. The direction is upwards indicating that the objective is growth. A leader needs to have a clear direction that facilitates growth. The line indicates a task, a project, a finite activity with a clear objective in mind. Work and life is filled with many such lines. For example, when Mr. Mitra decided that the only way the bank could survive and appeal to the new generation of clients was by forgoing old paper-based systems for new technology based systems. This was a three-year project that would meet much resistance and demand huge change management.³

The second symbol is the wheel. When a line extends itself it becomes a wheel. It reminds the leader that while the line begins with a problem and ends with a realized solution, the solution itself may turn out to be a problem that needs resolution. Thus one is trapped in the cycle of problems that have to be solved and solutions that create new problems. To assume solutions will not have problems of their own is delusion. For example, when Mr. Mitra, the CEO decided that the bank had to forgo its old ways and adopt technology solutions, he also anticipated the rise of a new power center- the IT department. No more would the CTO or CIO be simply the handmaiden of the management; he would contribute of business decisions as technology would become a key lever to achieve objectives in the future.