

Taking Corporate Governance Beyond the Boardroom

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Corporate governance has been commonly regarded as essentially an issue of statutory compliance of company law and listing requirements; at best an exercise in management of risk. Understandably, therefore, it has fostered a culture where effort is directed on “how not to get caught”. World Council for Corporate Governance founded on the core belief of shared prosperity goes beyond shareholder issues and advocates engagement with all stakeholders with a view to enhancing overall corporate value. The Council believes that shareholder returns cannot be improved if other stakeholders are not taken care of. It is the customers and employees who create most of the wealth for the company. Linking business purpose with larger societal purpose, helps to align the corporation and human resource.

Wrenching Change

Rapid and accelerating advances in science and technology are transfiguring the work place as never before. New era possesses immense capabilities, tremendous increase in productivity-enhancing technologies, efficiency-enhancing corporate systems, innovation-spurring mechanisms and cost-lowering globalisation which can work synergistically to open endless possibilities. It is empowering the customers and employees, democratizing the social, economic and political institutions and creating a sustainable relationship between environment and the human kind. Social and psychological engines fired by the knowledge era are changing the way we do business.

Accountability of Directors

This transformation is wreaking havoc on the institutions, creating chaos, causing disruption and disequilibrium. It is demanding a very high level of accountability from individuals and institutions specially the corporates. Directors are facing strobe-like glare of public scrutiny and have become a besieged lot. Criminal proceedings have been launched against the directors in many countries for corporate irregularities and punishment fit for Mafia dons are being awarded for

corporate crimes. Directors of Enron and WorldCom have had to reimburse company losses from their own pocket. Jakarta has put Richard Ness, the President of US gold giant, Newmont Mining Corporation on trial on criminal charges of pollution of its gold mine. Bernie Ebbers, chairman of the defamed WorldCom has been awarded 25 years of prison sentence. At his age of 63 this virtually means a life sentence, the hardest sentence for any economic offence. Earlier 80 year old founder, John Rigas of Adelphia Communications Corporation received a 15 years prison sentence. His son Timothy received 20 years.

Ethics – a Competitive Advantage

Harsh sentences meted out to Bernie Ebbers, John Rigas and his son Timothy Rigas are reminders that public expectations of the conduct of business have risen sharply. They don't expect boards to be simply compliant through box ticking. Boards have to be competitive and responsible. The issues of transparency, equity, integrity, accountability, inclusivity and corporate responsibility are competitive differentiators in the knowledge economy.

Triple Bottomline

Economic growth cannot be sustained without embracing the vast multitudes living in abject poverty and addressing the alarming depletion of finite natural resources. With globalisation businesses have a global constituency. They cannot ignore the imperatives of social transformation. Corporate directors need to be radical and revolutionary to fulfill the competitive agendas of business, social and ecological transformation. They have to adopt a triple bottomline approach of enhancing financial, social and environmental capital by constantly spurring their organisations towards creating new competitive spaces through a spiral staircase of innovation.

Prosperity for All

The frequency and enormity of corporate frauds, sharpening inequalities, increasing poverty, deteriorating environment and rising terrorism are reminders that despite all the scientific advances, mankind is descending deeper into despair. This poses a huge challenge and an opportunity for the business to take the lead. They have to harness the technology to innovate products, services and models that satisfy the needs of all stakeholders. For the first time in human history business has the power and technology to make a difference in human lives. Corporate Governance is an instrument that can unleash the unlimited potential of the markets to realise this goal and create prosperity for all.

The Pervasive Role of Business

The role of business today is far more pervasive than ever before. Its constituency is global. Power of the MNCs has arisen enormously in the new era.

There are over half a million foreign affiliate corporations in the world. The largest 100 multinationals \$2000 billion in foreign assets outstrip the combined GDP of China, India, South Korea, Malaysia, Singapore and Philippines. Today it is the economy that drives politics. It is the business that drives governments. Business is shaping the social values and also becoming a powerful cultural force. The political system has failed to address the human problems of inequity, poverty and terror. The governments of today and politicians particularly, have lost the moral authority. For the first time in human history, the business has the power to make a difference to human lives and can fill the vacuum eminently.

Global Constituency of Business

Global corporations today are facing enormous geopolitical challenges. As the businesses expand and their operations extend beyond their borders they have to transcend their parochial mentalities. Of the 100 biggest economies in the world 51 are transnational corporations. What sets them apart is that their constituency is global which enables them to capitalise on the inherent advantages of knowledge economy and constructively engaging with diverse stakeholders.

Purpose of the Company

One of the greatest debates is on what is the purpose of the company. Arie de Geus in his book, "The Living Company" argues that companies are not machines owned by individuals to make as much money as possible for its owner. They are living beings having their own purpose. Companies are not controllable but influencable through complex interactive processes which are just as likely to alter the influence as the influence. He defines a living company as one that exists primarily for its own survival and improvement in order to fulfill its potential and become as great as it can be.

Business has turned Social

Charles Handy has discussed the changing "meaning of business". A business, he writes, "is no longer just an economic instrument." Part of the reason can be found in its purpose. "The principal purpose of a company is not to make profit, full stop. It is to make profit in order to continue to do things or make things, and to do so even better and more abundantly. To say that profit is a means to another end and not an end in itself is not a semantic quibble, it is a serious moral point." The simplistic view that prevailed in the 1990s that business leaders need to focus exclusively on shareholder value as determined by the share price and that financial analysts are the best judge of business strategy simply cannot hold ground today. In a millennium survey 60% of those interviewed said they would punish companies, which were not environmentally or socially responsible. This shows how social good has become a powerful competitive differentiator. Business run on true principles of transparency, equity, accountability, integrity

and responsibility can make a difference that could give enormous pride to executives and provide the true incentive for driving the corporations.

Boards have to be Competitive

Once corporations internalise that their profitability depends on the public perception of the difference they make to the society, governance of corporations will become easier. Boards will rise up to meet the expectations of all stakeholders. Only then will our focus shift from rhetoric to implementation and we will realise that what we need most urgently is not more codes but training to change our beliefs, ideas and attitudes of how things will work in the new era. This is why there is an urgent need to change governance strategies and get directors truly on board. The wrenching change taking place all around cannot allow directors to remain aloof and leave the job to management. Boards today have to be proactive and not pliant, intrusive and not quiet, radical and not staid, innovative and not incremental.

Pre-eminence of Social & Environmental Issues

The dean of Oxford University's School of Management Studies, John Kay argues in his book "Foundation of Corporate Governance" that a firm's network of social and business relationship can provide it with a competitive advantage over other companies. One recent poll found 95 percent of the Americans agreeing with a sentiment long shared in Europe and Asia: Corporations owe a larger debt to society than simply making profits. One reason why this is true is the growing recognition of an independent, networked society in which business plays a key role. James Moore's "business ecosystem" model, for example, along with such concepts as industrial ecology, stress that corporations are not narrow institutions distinct from the social contexts in which they are embedded. The recognition among business leaders that they cannot thrive if their surrounding ecology is perishing is already leading many companies to broaden the scope of their activities. "Ten years from now, I am firmly convinced," Moore has concluded, "business leaders will be actively and daily addressing social and environmental issues."

This insight will help corporations find innovative ways to contribute to broader needs of society by collaborative problem solving. Businesses have to find new models of constructive engagement involving all stakeholders to bring about change in the society. The question no longer is whether the business has a role in social change but how it should play this role.

Diversity Adds Value

Our corporate attitudes can change only by making the boards diverse. Diversity is the wellspring of creativity . It is the diversity that generates a clash of ideas that in turn fosters innovation. It is the innovation that provides the grist to

company's mill. Innovation cannot be nurtured unless the corporations consciously encourage dissent. The value today is created not by conformity but diversity; not by deference but difference. Darwin told us in 1859 that growing a variety of crops improves the yield. We have still not applied this to humans. What the 21st century boards need is training to harness the differences.

Diversity is vital for the knowledge economy. When knowledge is shared the resultant gain to the parties depends on their diversity. Greater the diversity, more is the aggregate value of knowledge. Knowledge societies have no role for yes-men and think-alikes. This has transformational value for the societies and nations hitherto clinging to their own race, caste, region, religion. Realisation that the value increases not by cloning of same but cooperating with the opposites will begin the end of the hatred spurred by the accidents of birth and mark a new era of ethnic integration.

Rise in Volunteerism

New economy has seen massive transition to private economies. There is a considerable rise in the volunteerism and the social sector. America today has 1.5 million non-profit organisations that employ over 10 million peoples and account for 7% of its GDP. U.K. has over 300,000 charities. More and more young graduates are moving to voluntary work. NGOs in China have grown from 100 in 1950 to 200,000 today. Social consciousness among young has become so heightened that 40% of MBAs in a survey said they would refuse to work for an irresponsible business. 80% said they would accept a lower pay for a company that was "very socially responsible". The generational divide is obvious.

Transparency Helps Access Global Capital

Transparency also has to be viewed as a competitive differentiator because it enables the company to access capital. One of the greatest benefit of globalisation is the instant accessibility to global capital. The biggest owners of capital in the world today are not cigar smoking Monaco based capitalists. They are state employees and ordinary insurance policy holders. The largest single pool of capital in the world is the \$ 144 billion California Employees Pension Fund called CALPERS. The second largest is the \$130 billion pension fund of Dutch civil servants & teachers, ABP of Netherlands. Worldwide pension funds and general insurance companies between them own assets which are ten times the entire value of the U. K. stock market and about one and a half times the value of the US stock market. They invest as much as \$2.7 trillion, almost twice the entire value of U.K equity investment, on socially responsible companies. The criteria for these investments are employment practices, transparency, environmental, social responsibility, sustainable material, no animal testing, human rights etc. India does well in all these areas yet does not receive even a fraction of this investment. This investment has increased 10 fold in the last 4 years i.e., from \$ 30 billion to \$ 326 billion in UK alone. Even if 5% of this

investment is diverted to India our FDI would increase seven fold, thus having a transformational effect on our economy.

The Widening Gap

FAO's latest hunger report says starvation, humankind's oldest enemy, still lurks in large parts of the world. Well after a decade of globalization, hunger is actually on the increase. According to UNDP's latest Human Development Report 799 million Indians are still below the poverty line earning less than \$2 a day. The great IT revolution has not touched the poor. Even US, the world's strongest economy is amidst a poverty trap. According to the latest Census Bureau figures 37 million people in US are living below the poverty line, up 1.1 million from 2003. The bottom fifth of US householders receive only 4% of the national income while top fifth receive about half of it. 82% of the expanding export trade is enjoyed by the top fifth quintile of world wealth. Bottom fifth enjoys only 1% of its expanding export trade.

The Twin Scourge of Poverty and AIDS

FAO's report links hunger with AIDS. It shows that countries with a high prevalence of chronically hungry people are also afflicted by high rates of HIV/AIDS. World's AIDS graph shows a steady increase of the number of deaths on account of AIDS. The figure last year went up by 3 million. After infecting 28 million people in Sub Saharan Africa, AIDS is advancing steadily towards Asia and East Europe. 1.8 million people are living with AIDS in the countries of Eastern Europe and Central Europe. Total number of people living with AIDS has increased to 40 million.

The Flop of Trickle-down Effect

All this shows that the maxim of capitalism, on which the globalisation was based, that the free markets would lead to universal growth through free competition has been proved wrong. The levelling that was expected due to the great trickle-down effect has not materialised. In fact the inequalities have sharpened both in the developed and developing countries. They have increased by 2% since the Uruguay Round in developing countries. The world is witnessing a new phenomenon called "jobless growth". In 2001-2002 the monthly per capita consumption expenditure in rural areas of India rose a mere 0.7% over that in 2000-2001, while consumer price index for agricultural labourers, a measure of their cost of living, went up 2.23% pushing more people below the poverty line. Poverty means powerlessness, voicelessness, vulnerability, disease, fear.

Disparities are a Time Bomb

Large parts of the world are being increasingly disenfranchised. It is purposeless waste to have 40% of world population in abject poverty with unused capacity in

20% of it. Test of the progress is not whether we add more to the abundance of those who already have too much, it is whether we provide enough to those who have little. It is the disparity that drives people to desperation. People can live in poverty but cannot stand injustice. These disparities are a time bomb waiting to explode and pose the greatest threat to the security of business. This is specially true in India where 54% of the population is under 25. Most of the unemployed are under 30. The business should have vested interest in thinking of revolutionary ways to remove the widening gap. It was John F. Kennedy who said in his inaugural address back in 1961: "If we do not make a peaceful revolution possible we will only make a violent revolution inevitable".

A Threat to Business

Throughout 2004 World Council For Corporate Governance has drawn corporate attention to the widening gap between rich and poor and the governance strategies required for bridging it. We have repeatedly argued that the socio-economic disparities are a serious threat to the security and sustainability of business. The business should have a vested interest in thinking of radical ways to draw the poor in to the market economy and reassure them that globalisation will equally work for them.

Outmoded Business Models

We are living in a world characterized by grueling poverty and unused capacity. Large parts of the world are being increasingly disenfranchised. 40% of the world is in abject poverty whereas 20% owns hugely excessive resources. Such disparities amount purposeless waste and owe its origin to outmoded business models, short term approach and grass greed. This is an outcome of bankruptcy of imagination and lethargy of innovation. There is an urgent need, therefore, for a fundamental rethinking of our business paradigms, and overhaul of its structure and reward system to align it with the requirements of knowledge economy.

Increasing differential in earnings of average worker and the CEO

Maximising the shareholder's returns in a world of such disparities can be most challenging. It is dangerous to focus on piling up profits and build islands of opulence and extravagance in a world where most people live in abject poverty and squalor. People are not going to accept a second class status in the internet world. People can stand poverty but not injustice. It is the corporates who will suffer a backlash if disparities persist and are not made good through market interventions. Widening differentials between the wages of an average worker and the CEO are a recipe for disaster

Spiralling Aspirations - The Age of Individual

While the process of globalisation has been debilitating for the poor, their aspirations have risen exponentially with the onset of knowledge economy. We are today living in an age of the individual. Knowledge economy has empowered individuals and democratised institutions. The internet has made people highly conscious of their rights. If corporates do not improve things on their own, people will take the law into their own hands as they did recently in Nagpur, where groups of women killed two criminals in broad day light. Awesome events of 9/11 have demonstrated the vulnerability of business. Gruelling poverty may not be the breeding ground for fundamentalists and ideologues such as Osama Bin Laden, but it certainly provides them a lush recruiting ground for promoting terror and mayhem. Business, therefore, has a choice: either look after the local communities or be forced to do so and risk losing all you have.

Change in Business Values

Last few decades have seen a gradual migration of values. There are many factors responsible for it. Dawn of the millennium brought about a convergence between various forces of change that led to a realisation that we are living in a world which is becoming increasingly interdependent. We must therefore act more responsibly to one another and towards the planet. The events of 9/11 further reinforced the new thinking. The other factor influencing the new thinking has been the demographics. A third of world population today consists of teenagers. It is these 2 billion teenagers who are largely driving the world economy today. Their social and economic values are vastly different from the older generation. The new generation looks for greater ethical responsibility, transparency, environmental action and social responsibility from the business. It was this generation which was responsible for the exponential growth of companies like Body Shop when they pitched their marketing on “we do not test our products on animals” back in the early nineties. This generation does not share a fanatical obsession to economic success. They expect the corporation to take care of people and planet along side the pursuit of profit. A significant proportion of young management graduates have opted for NGOs as their first job. Others have accepted lower salaries with corporations known for protection of human rights, environment or social action.

CSR - A Competitive Differentiator

A survey conducted at the dawn of the millennium showed that 60% of those who responded would punish companies which are environmentally or socially irresponsible. On the other hand 54% felt they would prefer companies with a record of good corporate citizenship as opposed to 40% who preferred quality and 34% who opted for good management. This showed that we have marched into an era where consumers will increasingly make purchases on the basis of firms' role in society, how it treats employees, local neighbourhoods and other stakeholders. Social good has become a competitive differentiator. CSR is essentially a company's approach to managing stakeholder issues such as

customer - supplier relationship, work force diversity, human rights, work life balance as well as its efficient management of environment issues.

Corporations are Getting Stronger

Globalisation has made corporations much stronger. Businesses have become so powerful that they are circumventing democratically elected governments. Mobility of capital has further loosened the hold of national governments on business. With corporations becoming increasingly footloose the government's tax base is shrinking, forcing them to collect disproportionately higher taxes from salaried classes. No wonder there is a huge public outcry about companies being made responsible for their social and environmental obligations. Such is the pressure of civil society that more often than not market capitalisation is determined not by the profits announced by the company but the public perception of how they discharge their social and environmental obligations.

Positive Correlation Between CSR Performance and Bottom Line Results

That there is a strong evidence of positive correlation between the CSR performance and financial performance has been proved by some 95 empirical studies during the last 32 years using 70 different measures. But results cannot be tantalising unless companies give up posturing and start implementing the nitty gritty of CSR. CSR effort can be a win-win situation for the company as well as for the poor and disadvantaged provided it is executed with all sincerity.

CSR being used as a PR Tool

Corporations are becoming increasingly aware of the PR value of CSR. Companies have realised that its reputation is the most valuable intangible asset. No wonder, therefore, most claim to be votaries of CSR. There is a current debate whether this is driven by altruism opportunism. Christian Aid, a UK based charity, in their latest report "CSR - Behind the Mask: The real face of Corporate Social Responsibility has castigated companies for using CSR as a shield behind which to campaign against environmental and human rights regulations. Citing Shell's example, the report says that CSR in some cases has been counter productive and harmed relations between the business and local communities. Despite Shell's claim about and not come clean for years. "honesty, integrity and respect for people" it cheated investors by overstating reserves. The report says that CSR is being used as a public relations tool and it is no coincidence that companies in oil, mining and tobacco are its biggest public champions. That most CSR initiatives of the companies are designed to improve their public profiles, is evidence by the example of Philip Morris, a US tobacco company, which spent \$75 million dollars on charitable causes but \$100 million dollars to launch a corporate image campaign to publicise the \$75 million dollar spend.

Philanthropy is not CSR

No one expects companies to simply donate money for CSR action. In fact CSR is far removed from simply giving away as charity. Philanthropy is not CSR. CSR has to be an integral part of the business model. The real benefit of CSR emerges only if it flows from the strategic intent; when the board and management both realise that CSR is a way to make the business more sustainable, assuring continual long term growth. CSR is part of continual improvement which says - everyday in every way I am getting better and better. CSR is an inside out job and not for those who simply want to act the part.

Poor are the Planet's Greatest Business Opportunity

The pursuit of business today is limited to a small proportion of the total field of options. There is a lethargy of innovation. There is a whole new market of untapped customers and unarticulated demand waiting to be commercialised. This market consists of 4 billion poor the world. In an article published in HBR titled "Serving the World's Poor Profitably" C K Prahalad and Alan Hammond have given an example of the huge premium being paid by India's poor for water, food and fuel in a shanty town called Dharavi inhabited by over one million people in Mumbai. Nobody has worked on the inclusion of these poor in the market place. This will have a transformational effect on the whole business landscape. It will not only radically improve the lot of the poor but also make a hell of a lot of money for the business. A conservative estimate of the value of the market offered by the poor in 18 countries including India, China, Brazil, South Africa comes to \$1.7 trillion, roughly equivalent to the annual gross domestic product of Germany. Dr Hammond who is the Vice President of the Washington based World Resource Institute says "Business has all but turned a blind eye to the poor because of the assumption they have no money. Instead, global business continues to make the mistake of going after the "upscale" consumer even though there are fewer of them in developing countries." This hypothesis has most radical implications. The governments can stop treating the poor as begging bowls. The civil society can stop viewing them as objects of charity. The poor at the bottom of the pyramid represent the largest untapped consumer market on this planet. They can transform the bottomlines of many a fading corporation and save them from bankruptcy while making this world a less dangerous place. No need for the government to dole out billions of dollars of public money each year in the name of poverty alleviation programmes. This money can be well spent on infrastructure - roads, electricity, water and sanitation.

The Multiplier Effect

The collateral social and economic benefits of extending the market economy to poor can be huge. The multiplier effect of including 4 billion poor in the world economy will be of galactic proportions. Here we are not simply talking of the \$

1.7 billion existing economy. This market will multiply manifold once the poor are provided with the infrastructure and communication to integrate them with the rest of the economy. This has the potential of not only lifting the world economy from its current depressed state but raising the world's gross domestic product several times.

Creating Wealth from Wastelands

The concept has been given practical dimension by ITC in what they call their Social and Farm Forestry Project. ITC has effectively leveraged its wood fibre need to provide income generation for the economically backward wasteland owners of Andhra Pradesh. They brought equipment to turn the wastelands into productive farms and helped the local poor with planting trees intercropping with seasonal vegetables. In a single year in 2002, ITC's afforestation programme has resulted in the planting of 20 million saplings. ITC claims, they have planted 66 million saplings generating employment opportunities for 2,00,000 people. The marriage of ITC's technical know-how with the local poor has enabled yields of up to Rs. 75,000(US\$ 1666) per acre per year from former wastelands, thus enabling both the company and the farmer make money in a virtuous cycle of sustainable development.

Routing Nations' Prosperity through Poor

Business can fundamentally alter the rural landscape and stimulate commerce and development by bridging infrastructure gaps in rural areas, linking the informal economy to established markets and providing distribution channels and transaction platform. Use of voice mail and voice recognition software can help bridge the literacy gap. e Choupal experiment of ITC provides the farmer direct access to upto date market-information and help him/her eliminate intermediaries and reduce transaction cost as well as corruption. It improves the decision making ability of the farmers and enables them to secure better quality, productivity and pricing.

Social and Environmental Accounting

The primary reason for both our corporate and social ills lies in our accounting system. Capitalism has admittedly won the battle against communism. But we need to understand the true nature of capitalism based as it is on the market's ability to determine correct price levels. Knowledge economy has upset our equations and changed the definition and scope of capitalism. Firstly it has focused on the value of non-financial measures. Secondly this has established new rules of exchange. Exchange of knowledge has no losers. Both sides sharing knowledge win. We do not realize that corporates can create value by various non-financial measures. Enormous value can be created by enhancing human capital, environmental, capital and social capital. We are captives of a strange economy. I can walk out of this room, take a flight to any destination I

want, hire a room in the best hotel, stay for weeks, may be even months - all this without a rupee in my pocket. But if all the air is sucked out of this room I cannot survive for more than a few minutes. Yet, while we have a price tag for all the goodies that I can live without, the things that are most crucial for my survival are free. Market economy is meaningless if it can not count the non-financial goodies that are far more important to our happiness such as our emotions, love, trust, inspiration, joyfulness.

Making Poverty Alleviation a Business Issue

We think that socio economic inequalities provide imperatives that provide compelling reasons to make poverty alleviation a business issue. Business has been the greatest beneficiary of globalisation. The rapid expansion of trade and cross border capital flows made possible through the globalisation have created unparalleled opportunities for growth and financing of business. Globalisation cannot work properly if the poor are not made part of it. They need to be reassured that globalisation can benefit them equally. The biggest business challenge of today is to bring the poor into the market economy. It should be in the self-interest of corporations to do that as a matter of top priority. Business has to realise that sharpening of the inequalities as a consequence of globalisation is the greatest threat to the security and sustainability of their businesses.

Secondly, for the first time in human history business has the power and technology to make a difference in human lives. It has a social cause to make profits instead of the invisible hand of Adam Smith.

Thirdly and more importantly, businesses have to realise that throughout history businesses have expanded and multiplied only by reaching what C K Prahalad, the noted management guru calls, 'the bottom of the pyramid'. Both Microsoft and mobile telephony that spawned some of the 21st Century's most successful businesses have proved the point. Microsoft succeeded because it aimed to reach every home. IBM failed because the vision of its founder Thomas Watson was "there was to be a world market of just five computers". Reliance Infocomm, a mobile phone operator in India received one million applications in the first 10 days when it offered a mobile phone for \$10. India today has more mobile phones than landlines.

Accessing Poor Markets can Transform Businesses

The success stories of Grameen Bank in Bangladesh, Casas Bahia in Brazil, Cemex in Mexico and ICICI Bank and Nirma in India show how accessing the poor markets have transformed both these businesses and the poor constituencies they served. No amount of handouts could have improved the lot

of the poor served by these businesses. ICICI Bank has developed a new model of relationship with its customers. It has no direct contact with its half a million rural clients. It monitors their loans which are as little as 6 dollars with instalments of 20 cents each month through self help groups formed by rural women. Cardiac care and cataract operations are reaching new heights of process innovation in India. A cataract operation in Aravind Eye Hospital costs barely \$50 including stay. 40% of the patients are treated free. Yet, the hospital is debt free and has a return on capital of 120 to 130%.

Scaling up the Success Models

Another revolution has been brought by Unilever subsidiary in India, Hindustan Lever. They have created a distribution network of some 30,000 women called Shakti Ammas to distribute their products in remote villages as direct-to-consumer initiative targeted at individuals at the bottom of the pyramid. Training these women in entrepreneurial skills will have a cascading effect on the rural economy. Scaling up this model worldwide can have phenomenal results in alleviating poverty and bringing the poor into the market economy.

Making a Difference

All the examples show that if corporate governance has to achieve its objective of enhancing corporate value it must go beyond the boardroom. It must extend to all stakeholders. Above all it must engage with poor not simply from an altruistic point of view but to improve the bottomline of business. In the words of Charles Handy, “the principal purpose of a company is not to make profit. Full stop. It is to make profit to do things better and more abundantly.” Profit is like breathing. You can not live without breathing but it is not the purpose of living. As Andrew Carnegie, the great American industrialist philanthropist said, “it is great to make money but it is a disgrace to die rich”. Changing our motivation from greed to taking pride in making a difference will make businesses sustainable and help us to give up posturing and get real with corporate governance. Americans have long been proud of the decade when slavery was abolished. Let future generations be proud that it was our decade that abolished poverty and removed inequalities. The urgency is not because social good is the ultimate human creed but that the alternative is anarchy where business would have no chance to succeed.

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