

Strategic Management - The Competitive Edge

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Module No. # 02

Lecture No. # 08

Board of Directors - Role functions, Top Management - Role and skills, Board Functioning - Indian Context

We will have just a recap on the four responsibilities of business, which I discussed in the last class. A business should attend to these four responsibilities: one is economic, second is legal, third is ethical and fourth is discretionary.

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FOUR RESPONSIBILITIES OF BUSINESS

- ⊙ Economic - Must do
- ⊙ Legal - Have to do
- ⊙ Ethical - Should do
- ⊙ Discretionary - Might do

Social Responsibility – includes Ethical & Discretionary

Ethical Responsibility:

- ⊙ Utility: does it optimise the satisfaction of the stake holders? (Should behave in such a way that it produces the greatest benefit to the society and least harm the lowest cost)
- ⊙ Rights: does it respect the rights of the individuals involved?
- ⊙ Justice: is it consistent with the cannons of justice (decisions should be equitable, fair and impartial in the distribution of costs and benefits to individuals and society)

Economic is something which a business must do. What do we understand by this? A company or an organization has to produce products and has to tap markets. This product should be acceptable in market and it must raise revenue from the sale of these products.

This is an economic activity. In economic activity invariably is connected with marketing and this marketing an organization has to do to be in business.

The second activity which we said, an organization will have to do is legal. In order to do the economic activity, the organization should follow certain legal boundaries; that is, it must operate within certain legal boundaries. These are referred to as the legal responsibilities of the business where you do business according to the law of the land.

The third and the fourth one, they are grouped under what is called the corporate social responsibility. They come under the heads of ethical and discretionary. Ethical is something which an organization should do. What are the components of ethical responsibility? It has got the components of utility, rights, and justice. What is utility? Does it optimize the satisfaction of the stakeholders? That is, it should produce the greatest benefit to the society and least harm, the cost should be lowest.

Then rights: does it respect the rights of the individuals involved? Justice: is it consistent with canons of justice; that is, decision makers should be equitable, fair and impartial in the distribution of costs and benefits to individuals and society. In other words, what do we mean by this? A company should discharge its responsibility in an ethical manner. This ethical manner includes these components of utility that is; you should be able to optimize the satisfaction of the stakeholders.

You should also respect the individual's rights and you should also follow the canons of justice or the natural justice, which you may term or which may say this, you should be equitable, fair and impartial in the distribution of costs and benefits to individuals and society, so this is what it is.

In the last class, I also told you that Indian companies by and large have to conform according to this legal framework; this legal framework is spelt out by the Indian companies act. When we were discussing the board of directors, I said three sections of the Indian companies act or highly relevant for the BoD: one is section 291, second is section 292 and third is section 293.

In fact, we discussed all those things when we were discussing the BoD. So, the responsibilities of the business also stems from this BoD. The BoD should really come

out with the responsibilities of the business and whatever has been spelt out in the act. If you really go back a little further, these sections 291 to 293, I have dealt with this in page number 38 of my book on strategic management.

So, I am just reading from this book page number 38. It also gives you some idea of what is the definition of the director which I read with respect to the BoD? According to section 231 of the Indian companies act, the term director includes any person occupying the position of director - so no particular definition. Similarly, the Indian companies act does not define the term board of directors. We can infer that the BoD is a group of persons each of one is a director.

According to the present norms, the maximum number of directorships a person can hold is 20. According to section 269 of the Indian companies act, specified public companies or private companies which are subsidiaries of public companies shall have a managing director or a whole time director or manager and each such appointment shall be made with the prior approval of the government of India.

Now a small elaboration, which I have already discussed with respect to the BoD that is sections 291 to 293. The section 291 of the Indian companies act states that the BoDs shall be entitled to do all such acts and things as the company is authorized to exercise and do except those things that can be done in the annual general body meeting of the company, except what is required to be done or where permission is sort to be obtained through the A G M only. Other things can be done through the section 291 by the BoD.

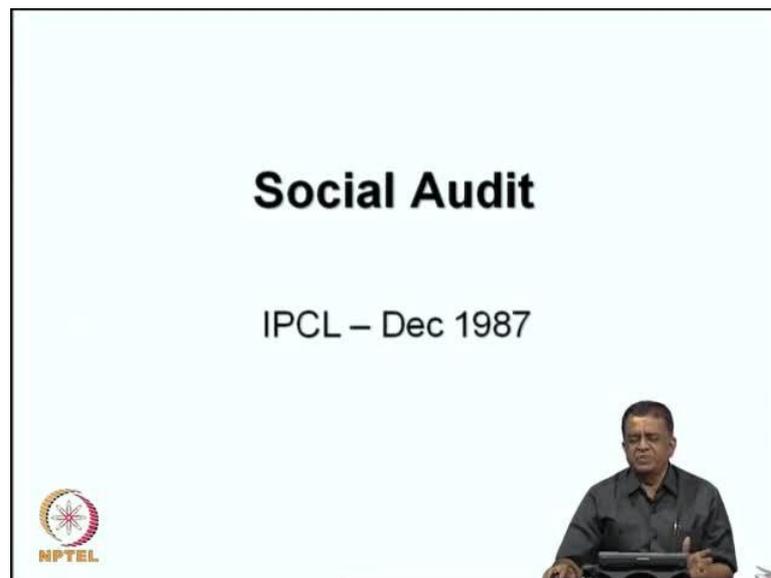
Section 292 gives the exclusive powers of the BoDs, which we have discussed. Section 293 gives the restrictions or lists the restrictions on the powers of the BoD in respect of selling, leasing, disposing of the company's property, remittance of due by any director, borrowing money to an extent which can exceed the net worth of the company etcetera.

In all this cases, the consent of the general body meeting of the company has to be obtained before initiating any action. Suppose, the director owes some money and the company wants to see that this money is reimbursed or is made good through the asset of the company can be done, provided the annual general body of the company approves the same. This is what section 293 of the Indian companies act lists.

So, the four responsibilities of the business stemming out again, now read it in conjunction with the sections 291 to 293, what are the powers? What are the functions? And what are the restrictions on the board of directors? Read it in conjunction with this 291 to 293, it makes more sense that is, the responsibilities of the business, as well as now. The new terminology which almost all businesses are coining now; that is, the corporate social responsibility which essentially means or which essentially includes the ethical and the discretionary side of business.

Why I said this corporate social responsibility which all companies are talking now? It is not that the Indian companies were not exhibiting these two aspects of business. They were exhibiting these aspects of business that is the ethical responsibility as well as the discretionary responsibility, without perhaps being brought out in this out spoken manner.

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So, but there are case studies dating back to the 80s only, where Indian companies have really behaved in the most ethical and responsible manner.

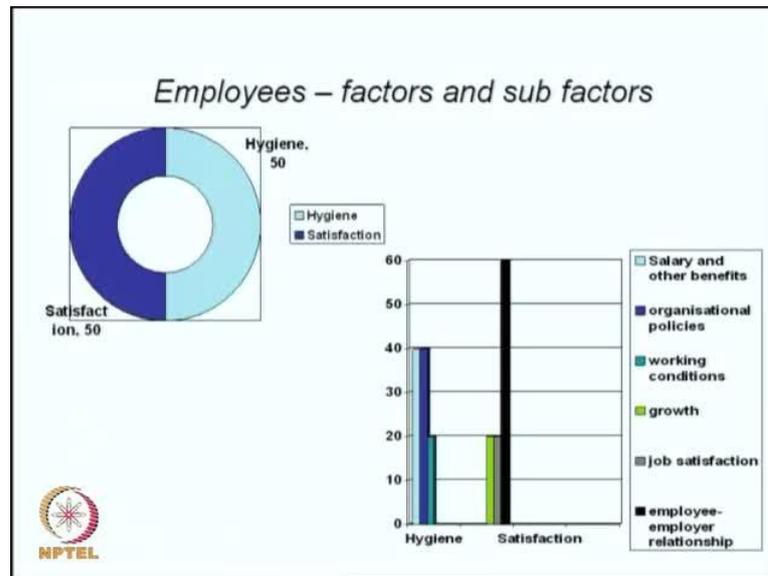
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One such study I am presenting to you, which was really a study of one of the public sector companies of that time that is, the Indian Petro Chemicals Limited now it is taken over by Reliance. This company if you really see, was practicing the social audit in the mid 80s only. For the purposes of the social audit, it had divided its stakeholders into four groups: one is employees, second is the customers, third is the government and fourth is the society.

For each of these focus groups - these are called focus groups for social audit - a weightage of 25 percent was given for each group. So, employees got weightage of 25 percent, customers got a weightage of 25 percent. Similarly, government and society also got a weightage of 25 percent each.

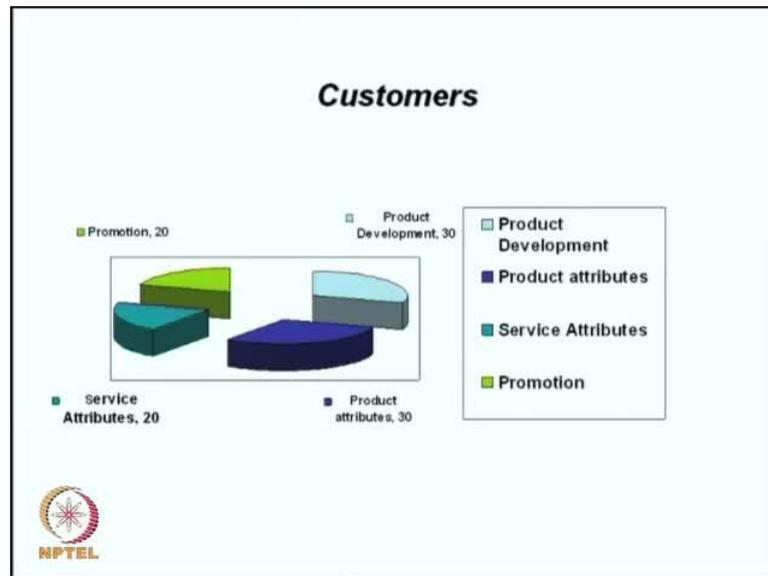
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Now, the slide that is presented that gives you, what are the factors and sub factors with respect to each of these four. Take for example the employees, what are the types of sub factors that are involved in these factor employees? If you see these factor employees, they are concerned with all these sub factors, one is salary and other benefits, organizational policies, working conditions, their growth prospects, the job satisfaction, then the employee employer relationship all these 6 factors, which are sub factors, which are listed can be put under two broad heads: one is the sub factor with respect to hygiene, the other is the sub factor with respect to satisfaction.

So, what are the sub factors with respect to satisfaction? Job satisfaction, your employee employer relationship, then the organizational policies all these can be listed as satisfaction factors. Similarly, if you really see the other two that is the salary or the working conditions, the salary and other benefits and the growth, they are all listed under hygiene factors. Each of them is given as weightage of 50 percent out of that 25 percent, which is given that is, **each of them get** all the three put together get 12 and a half percent in total.

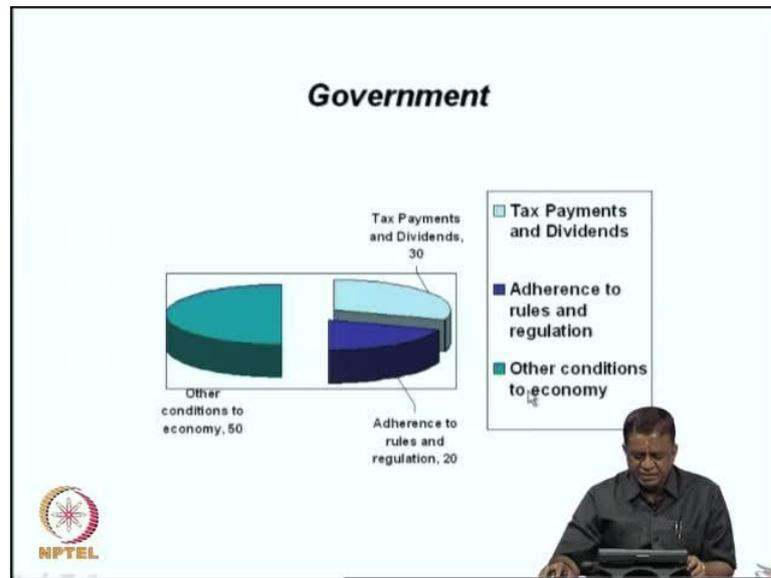
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Now, will go to the next one; customers. What are the types of things sub factors that are involved? We are looking at product development, we are looking at product attributes, we are looking at service attributes and we are looking at promotion. Suppose, the customers itself we give it a 100 percent weightage, then all these four will get a weightage not 25 and 25, but product development and product attributes will get a slightly higher weightage that is 30 and 30.

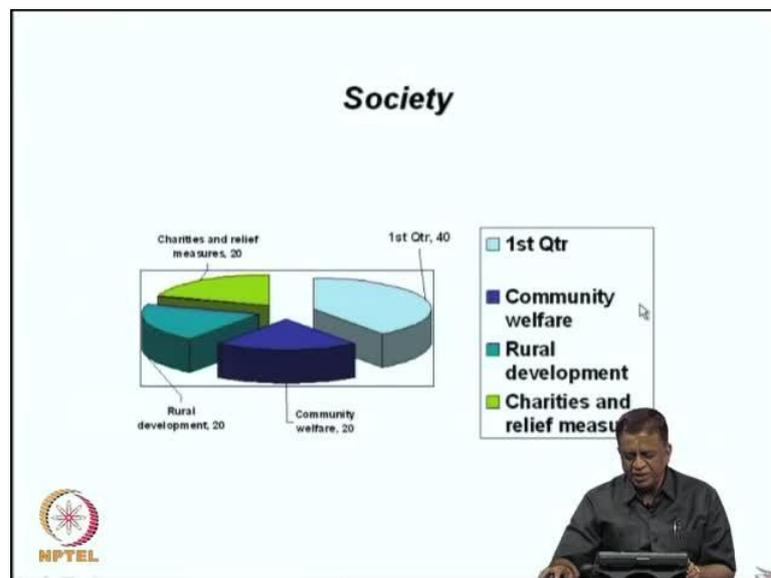
Then promotion and service attributes will get a weightage of 20 and 20, total into 100, but actually 25 percent in effect. So this will be the sub factors which we are looking at with respect to customers.

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Then what about the government? The sub factors which you may be looking at the government side would be the tax payment and dividends, the adherence to rules and regulations and other conditions to economy. Other conditions to economy is given a higher weightage, because we are looking at what is happening to the jdp of the country, all those types of other aspects. What is happening to the industrial side of business all that. So, given a higher weightage 50 percent then tax payments and dividends 30, then adherence to rules and regulations 20, making a total of 100.

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Now when you are looking at society, what could be the sub factors? You are looking at each quarter first quarter then - what is the community welfare - What are the sub factors? You can be looking at community welfare, then you can be looking at the rural development, you can be looking at the charities and relief measures.

In other words, these are the things which I listed under the head of ethical and discretionary responsibility of business. That is, what is a company doing towards community welfare? Take the first quarter results what did he do? Similarly, what did he do for rural development? What do we mean by rural development? If you really see the factory or the company or the organization can adopt certain villages surrounding the company and provide those villages certain basic minimum facilities can be good sanitation facilities, good development of roads and some basic essentials which are required for the rural masses. So that is towards the rural development.

The third aspect which a company has to engage towards the discharge of social responsibilities is charities and relief measures. Sometimes, the company might be some exigencies or some calamities in society. The company might be willing to respond or willing to really measure up to that situation by coming to the aid the people or the section of society which might be effect; it can be floods, it can be earth quake or whatever which the society might be put to at large. So, these are the sides of business which the company has to look at with respect to society - the sub factors.

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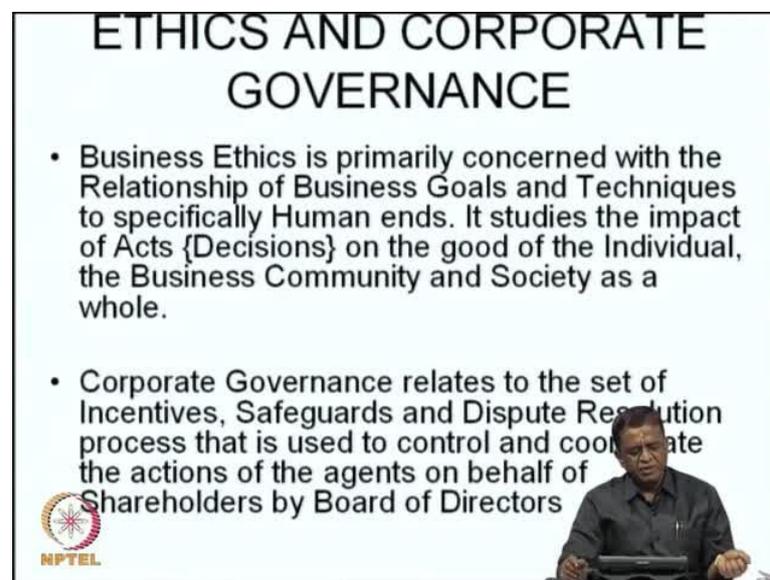
Overall Corporate responsibility of IPCL

Group	Weight	Score	Product
Employees	.25	5.1	1.275
Customers	.25	5.8	1.45
Govt	.25	7.0	1.750
Society	.25	6.6	1.650
	1.00		6.125

Overall Corporate Responsibility score = 6.125 / 10.00

Now, how did IPCL fair? If you really see IPCL faired in 1987, it scored an overall corporate responsibilities score of 6.125 on a scale of 10. What does that mean? It means that the company has behaved in a socially responsible manner, it is quite above average. So, considering that it was a public sector company, still the company adopted high standards of corporate social responsibility back in the 80s only. Now, we are only seeing high tend use of this term corporate social responsibility in almost every company form. But, this exercise of rating a company on the different groups that is, the stakeholders was done back in the 80s only; in fact at an initiative of the students from I I M Ahmedabad.

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ETHICS AND CORPORATE GOVERNANCE

- Business Ethics is primarily concerned with the Relationship of Business Goals and Techniques to specifically Human ends. It studies the impact of Acts {Decisions} on the good of the Individual, the Business Community and Society as a whole.
- Corporate Governance relates to the set of Incentives, Safeguards and Dispute Resolution process that is used to control and coordinate the actions of the agents on behalf of Shareholders by Board of Directors

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Now with all these, we look at Ethics and Corporate Governance. What does an ethic mean? I am giving you a slightly better definition or slightly, you can say a broader definition that is, a business ethics is primarily concerned with the relationship of business goals and techniques to specifically human ends.

What does it do? It studies the impact of actions or acts and decisions that is, you act and there may be certain decision involved in that on the good of the individual, the business community and society as a whole. What we do normally understand by this term Corporate Governance? The Corporate Governance relates to the set of incentives, safeguards and dispute resolution process that is used to control and coordinates the actions of the agents on behalf of shareholders by board of directors.

So, this is where the recap of this section 291 to 293 becomes relevant. So, 291 BoD derive some powers, 293 the restriction on the powers also comes in; that is, the sections 291 to 293 of the Indian companies act.

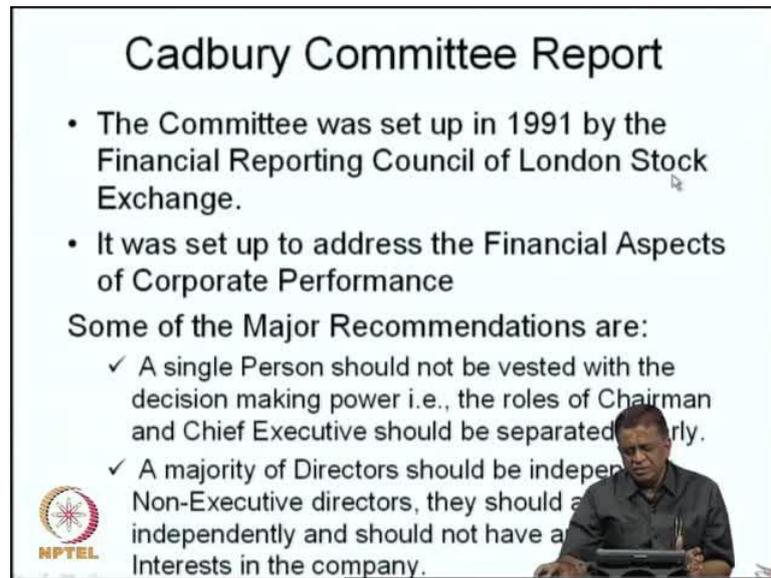
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Now the post liberalization era; in fact on corporate governance, four committees were setup after this 1991 liberalization of the economy and four committees have submitted their report: one is the Cadbury committee report - these are all the initiatives of the government of India. Then the second is the CII committee report. Third is the Kumara Mangalam Birla report and the fourth is the Narayana Murthy committee report.

So, there are four reports that is: one is the Cadbury committee report, second is the CII committee report, third is the Kumara Mangalam Birla report, and fourth is the Narayana Murthy committee report. We will discuss very briefly, what each of these committees do.

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Cadbury Committee Report

- The Committee was set up in 1991 by the Financial Reporting Council of London Stock Exchange.
- It was set up to address the Financial Aspects of Corporate Performance

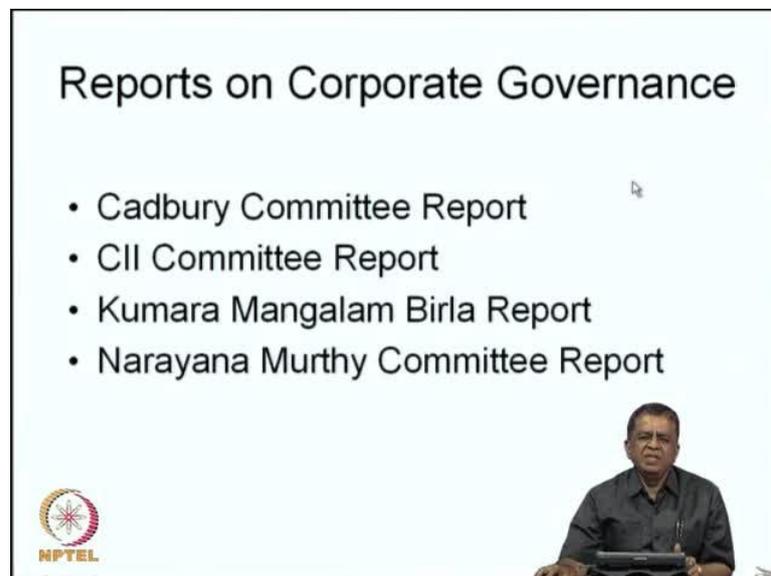
Some of the Major Recommendations are:

- ✓ A single Person should not be vested with the decision making power i.e., the roles of Chairman and Chief Executive should be separated clearly.
- ✓ A majority of Directors should be independent Non-Executive directors, they should act independently and should not have any financial Interests in the company.

Cadbury committee report: it was set up in 91 by the financial reporting council of the London stock exchange. So this was again, if you really go back, this cannot be termed as an initiative of the government.

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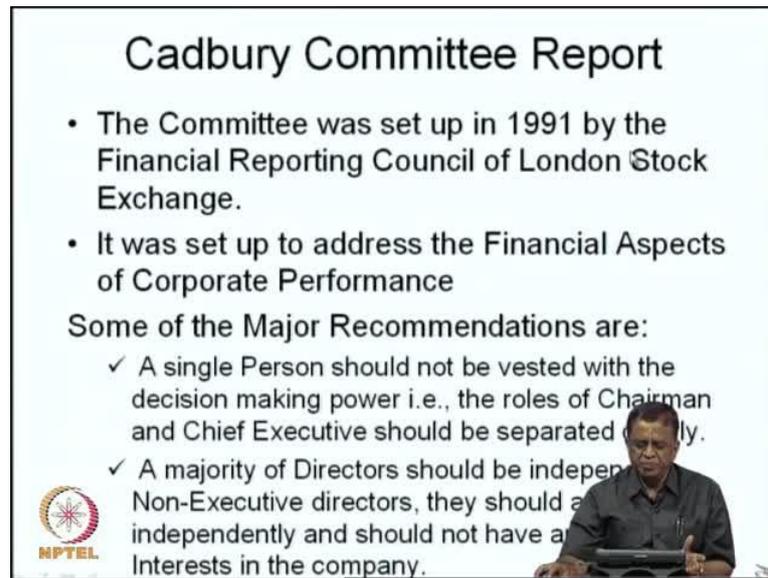
Reports on Corporate Governance

- Cadbury Committee Report
- CII Committee Report
- Kumara Mangalam Birla Report
- Narayana Murthy Committee Report

In fact, we have to look at both Cadbury committee report and the CII committee report as an initiative of the industry, but perhaps with the tacit approval of the government of India.

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Cadbury Committee Report

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Some of the Major Recommendations are:

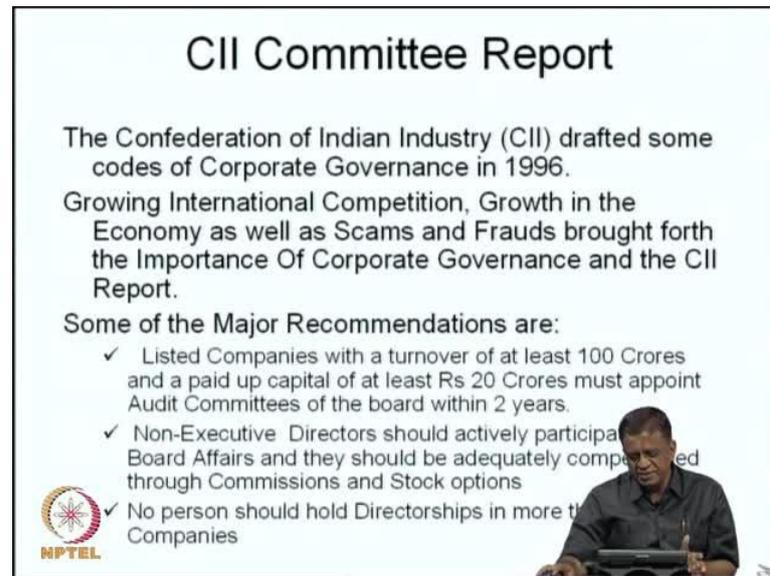
- ✓ A single Person should not be vested with the decision making power i.e., the roles of Chairman and Chief Executive should be separated clearly.
- ✓ A majority of Directors should be independent Non-Executive directors, they should act independently and should not have any financial interests in the company.

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If you really see this committee was set up in 91 by the financial reporting council of the London stock exchange. So looked at the financial aspects of corporate performance, so what did it do? What is the type of recommendation? Some two recommendations - important recommendations: a single person should not be vested with a decision making power; that is, do not combine the power in one person only, according to this committee. That is a roles of chairman and chief executive should be separated clearly. So, this is one of the recommendations important recommendations of this committee.

Then the second one is a majority of directors should be independent non-executive directors; they should act independently and should not have any financial interest in the company. So, the belief is that if they are non-executive directors, they can take an objective view of the situation.

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CII Committee Report

The Confederation of Indian Industry (CII) drafted some codes of Corporate Governance in 1996.

Growing International Competition, Growth in the Economy as well as Scams and Frauds brought forth the Importance Of Corporate Governance and the CII Report.

Some of the Major Recommendations are:

- ✓ Listed Companies with a turnover of at least 100 Crores and a paid up capital of at least Rs 20 Crores must appoint Audit Committees of the board within 2 years.
- ✓ Non-Executive Directors should actively participate in Board Affairs and they should be adequately compensated through Commissions and Stock options
- ✓ No person should hold Directorships in more than 10 Companies

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Compared to this, the CII that is the Confederation of Indian Industry, it drafted some codes of corporate governance in 96. So, **what are the types of** all this result was due to the result of growing international competition, growth in the economy as well as the scams and frauds that were faced. All these resulted in CII committee; CII setting up a committee for this corporatized governance in 96.

What is the type of major recommendations this committee gave? It listed companies with a turnover of at least 100 crores and a paid up capital of at least 20 crores should must appoint audit committees of the board within 2 years that is, listed companies with a turnover of at least 100 crores and a paid up capital of at least 20 crores must appoint audit committees of the board within 2 years.

The non-executive directors should actively participate in board affairs and they should be adequately compensated through commissions and stock options. Now, this CII committee put one more restriction on the number of directorships. It said, no person should hold directorships in more than 10 companies, whereas the Indian companies act allows you to go up to 20. It said, in order to justice to the directorship, no more than ten. These are some of the major recommendations of the CII committee in 96.

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Kumara Mangalam Birla Report

The Committee on Corporate Governance was set up in 1999, by the Securities and Exchange Board of India (SEBI).

It was set up to address the Safeguards which are to be instituted within the Company to deal with Insider Information and Insider Trading.

Some of the Major Recommendations are:

- ✓ The Board should have an optimum combination of Executive and Non-Executive Directors and at least 50% should be Non-Executive Directors.
- ✓ Board should set up a Remuneration Committee to determine the Remuneration Packages for the Executives.
- ✓ Management should assist the Board in its decision-making process in respect of Company's Strategy, Policies, Conduct and Performance Targets.

The next one that is the Kumara Mangalam Birla committee report - this is an initiative of the SEBI that is, the Securities and Exchange Board of India, setup in 99. So what was the idea? The idea was to address the safeguards to be instituted within the company to deal with insider information and insider trading. So many, what you call stock exchange scams - that thing these things - and all we surfaced. So, you had so many scams during this period of the early 90s and the mid 90s. This committee that is a Kumara Mangalam Birla report was basically interested the job by SEBI to address this question.

What did it come out with? The board should have an optimum combination of executive and non-executive directors and at least 50 percent should be non-executive directors. Again an emphasis has more non-executive directors. So that they can be impartial; they can have - what do you call - more impartial view or an objective view of what is going on in the company. Then board should set up a remuneration committee to determine the remuneration packages for the executives.

Now, sometimes a few months back perhaps one of the ministers attached to the central government made one statement which was concerning the salaries of the executives in the private sector. He said they should not get this very high salary; in fact, he used one terminology which was taken objection too.

So the point, the minister was making was they should not be getting very high salaries. When the other company executives, they are getting a certain level of salary; the level of salary, which this senior people are getting in the company should not be exorbitantly high compared to this people. There must be certain times, not too many number of times, this is what he was trying to say.

This is the management should assist the board in its decision making process in respect of company's strategy, policy code of conduct and performance targets. So, this is one more aspect, which the company with this Kumara Mangalam Birla report emphasized on. It said, the top management of the company in fact - this is what we discussed in the earlier classes - what do we understand by this term top management of the company? The top management of the company's normally, we can designate any person who is general manager and above in a company to form the top management of the company. In other words, they are the decision making persons in an organization; they are involved in active decision making process.

If the process has to be initiated in the organization to take decision - this is what we were talking of in the earlier class - that is, the strategic management, decision making process over all going to be involved in the top management of the company. What do we understand by the top management of the company? Any person who is holding the position of general manager and above in an organization can be considered as top and representing the top management of the company.

So, what is the Kumara Mangalam Birla report saying? Management should assist the board in its decision making process in respect of company's strategy, policy code of conduct and performance targets. The latest of these reports committees and the reports on corporate governance.

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Kumara Mangalam Birla Report

SEBI instituted a Committee under Mr. Narayana Murthy which submitted its final report in the year 2003.

It was established to raise the Ethical Standards for Good Corporate Governance.

Some of the Major Recommendations are:

- ✓ Board Members should be informed about Risk Assessment and Minimization Procedures.
- ✓ All Audit Committee should be 'Financially Literate' and at least one Member should have Accounting or related Financial Management Expertise.
- ✓ Mere Explanation as to why a Company has followed different Accounting Standards from the Prescribed standards will not be sufficient.



Again the SEBI came in to the picture; the SEBI had come into the picture with respect to the Kumara Mangalam Birla report in 99. Again it came in 2003, when it instituted a committee under the chairmanship of Mr. Narayana Murthy, who was the chief of Infosys and it submitted its final report in the year 2003. So, the idea was to raise the ethical standards of companies in India for good corporate governance.

In other words, even an organization like SEBI started goading the Indian companies or the Indian corporates to behave in an ethical and a responsible manner that is, ethically responsible manner and provide good corporate governance that is, this is the thing what it is? What did this committee do? It went into the two aspects of business which I listed that is the ethical aspect and the discretionary aspect and made some important recommendations.

What are the recommendations which we are made? Board members should be informed about risk assessment and minimization procedures. What does this mean? What do we understand by this term risk assessment? Suppose, a company has to invest certain money or make some portion of the resources of the company available for a certain project. It should be able to get a report from the executives of the company on the nature of risk involved with respect to committing these resources.

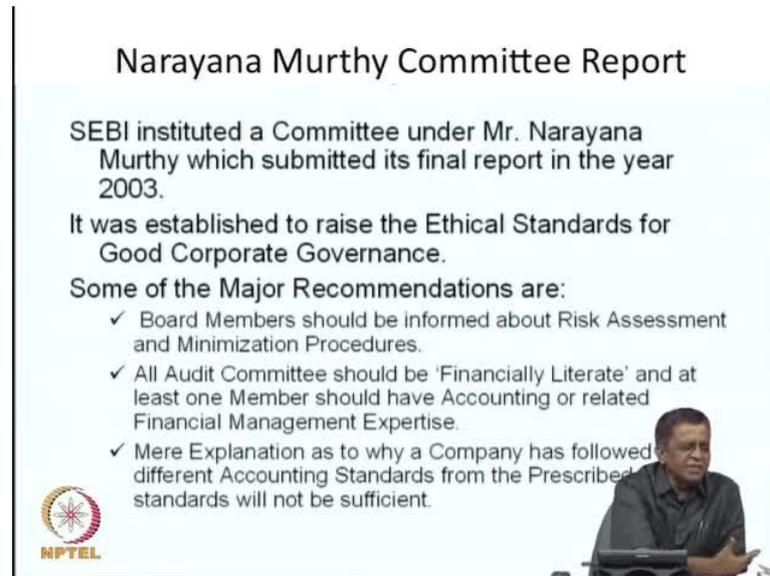
Whether the company can get back the resources committed or in other words, what is the return on investment with respect to these resources, which the company is committing towards a certain initiative. Will it pay back or will it not pay back, what is the probability that it will pay back during this particular period or what is the probability that it will not pay back. So all these aspects of what you call in the managerial terminology. You should do what we normally refer to as a cost-benefit analysis of decision making?

You analyze, what you call the up-prior probability of a certain action; then what is the post-prior probability of a certain action? What is it going to result in? All these should be brought out by the risk assessment group.

In fact, what it means is an organization, a good corporate should have a risk assessment and it should help the board in knowing the risk that is involved with respect to each of its decisions. So what you mean by knowing the risk that is involved? What is the reason for that? The board with its wisdom tries to minimize this risk. It can say instead of committing this much of percentage of resources towards this action, why not commit a certain lower percentage.

In other words, the board with its extraordinary expertise available with the members can always do a sort of a sensitivity analysis, where it can come out with the decisions saying this could be the method of minimizing the risk due to this particular action.

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Narayana Murthy Committee Report

SEBI instituted a Committee under Mr. Narayana Murthy which submitted its final report in the year 2003.

It was established to raise the Ethical Standards for Good Corporate Governance.

Some of the Major Recommendations are:

- ✓ Board Members should be informed about Risk Assessment and Minimization Procedures.
- ✓ All Audit Committee should be 'Financially Literate' and at least one Member should have Accounting or related Financial Management Expertise.
- ✓ Mere Explanation as to why a Company has followed different Accounting Standards from the Prescribed standards will not be sufficient.

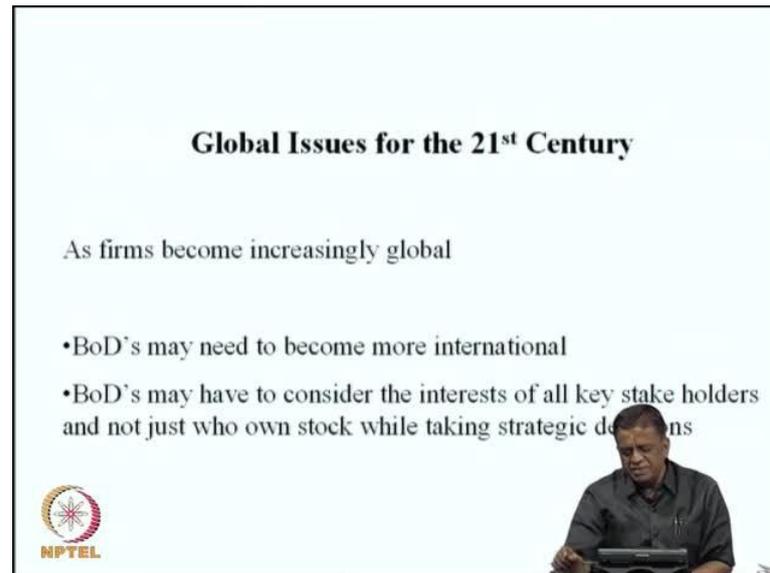
Then all audit committee should be financially literate; that is, if you are a member of this audit committee, you should be able to understand what this audit committee report is and at least one member should have accounting or related financial management expertise. So, one of the members of this audit committee should be a - what you call perhaps - a certified chartered accountant or a cost accountant or whatever is required according to the Indian companies act.

So, mere explanation of why a company has followed different accounting standards from the prescribed standards will not be sufficient. Suppose the company has deviated, it is not following the accepted accounting practice according to the Indian companies act. Why it has done so? It just gives a simple explanation that would not be sufficient. It has to provide a detailed note as to why this was required? For example, you take the case of Infosys. In its audit report, there will be one report conforming according to the standards of accounting practices which are required from the Indian government that is, the Indian companies act.

There is one more report which follows according to the accepted accounting practices as per the requirements in the United States that is the gap. So the company gives that report also; the company gives this report also, so that what does it mean? That means the companies accounting transactions are very transparent.

So, they say you have this side of conforming to the Indian companies act; this side according to the American audit standards that give you an idea or that give you an understanding of the practices followed in the company helps you to make considered decisions. This is being followed by the many companies now, which are operating in the software or the IT field.

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Global Issues for the 21st Century

As firms become increasingly global

- BoD's may need to become more international
- BoD's may have to consider the interests of all key stake holders and not just who own stock while taking strategic decisions

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Now by and large we have discussed, what are all these CSR issues? What are these BoDs? Then we have looked at the company that is IPCL, which use to follow this social responsibility back in the mid 80s only. So, this is not something new for even a public sector company. Now, with all this we move to one important aspect.

Now, what are the changes which you can visualize in the 21st century because this globalization becomes increasingly dominate; that is, companies want to become global. When they want to become global, what is it that is likely to happen? Some of the things which are likely to happen or which can be visualized are these: one is, as firms become increasingly global BoDs may need to become more international.

What does it mean? Why should BoDs become more international? The reason for this is that you may have international market segments, so to cater that to the international market segments or to bring business from this international market segments; it may be

better that these constituencies are represented by persons, who are more conversant with these market segments.

If you look at a company like Infosys, it had a well known US senator on its board and still continues on the board of this company. So, what is the idea? The idea is the company is having a major business stake in the US market; it may be highly desirable to get authentic views of this market segment from people who are knowledgeable, primarily of this particular segment. You have primary knowledgeable of this market segment instead of relying on secondary sources of data.

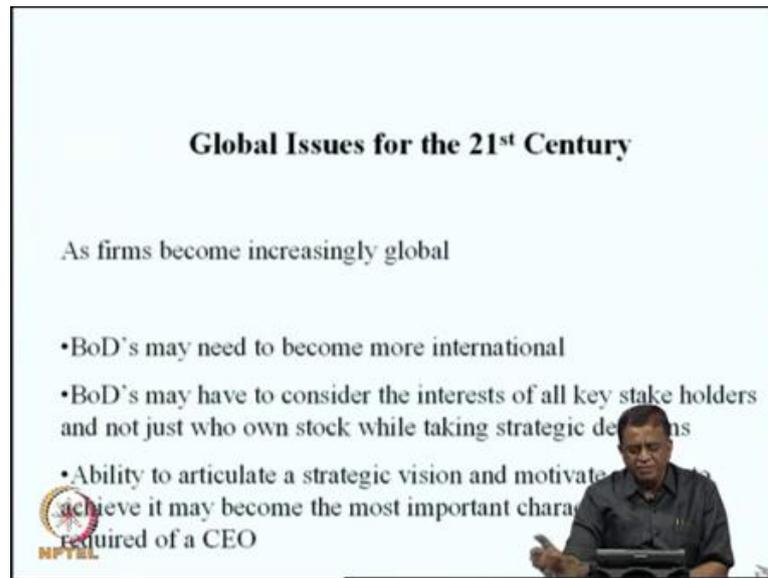
The second thing, which can happen in this 21st century, is BoDs may have to consider the interests of all key stakeholders and not just who own stock while taking strategic decisions. This is one more very important aspect. Let us say, it is your own company and you hold, let us say 85 percent or 90 percent of the shares of this company and the remaining 10 percent or 15 percent are held by others.

In this type of a scenario, who is the key stakeholder? It is you only; you are the key stakeholder. Now suppose, let us say your interests are satisfied then it is enough. It is not enough, because you may be looking at issues in your narrow limited domain of how my share price is going to increase; but there are so many stakeholders, who are involved in the system other than you, they may be one aspect is your other shareholders forming a small percentage of less than 15 percent.

They are one part of that but, there are other stakeholders that is, other segments - market segments - to which the company is scattering. All these are stakeholders for which the company is answerable or has a certain responsibility to fulfill. So, these are going to be more predominating. In other words, see in a way when the corporate shareholding is dispersed widely in the company, then the company's management you can expect it to be more tending to a more democratic manner.

So, because you are having a large number of shareholders instead of one person and then decisions may be more democratically taken surveying the interest of all the key stakeholders or all the constituencies.

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Global Issues for the 21st Century

As firms become increasingly global

- BoD's may need to become more international
- BoD's may have to consider the interests of all key stake holders and not just who own stock while taking strategic decisions
- Ability to articulate a strategic vision and motivate people to achieve it may become the most important characteristic required of a CEO

NPTL

Speaker: A man in a dark shirt is visible in the bottom right corner of the slide, appearing to be presenting or speaking.

Then the third one which is likely to have or which is likely to become dominant is ability to articulate a strategic vision and motivate people to achieve it, may become the most important characteristic required of a CEO. So, a CEO's role in the present changed context becomes extremely crucial. He should not be just some person, who is sitting in the position of CEO. He should be a person, who can articulate the strategic vision of the company, motivate the people to achieve that; that it becomes a very important characteristic of the CEO.

In other words, say CEO cannot be just an ornamental position - No; those days are likely to-be-gone type of days. So, **this is how does** if you really see, these are the types of issues which companies will have to tackle in the coming 21st centuries. This is more brought out or brought about due to this LPG era. This is we are more concerned about the Indian companies kindly note that.

So, this is LPG era that is the Liberalization Privatization and Globalization has made all these types of in a way very important change in the Indian business scenario or the Indian business climate. It is visualizing these types of very important changes, never did we visualize that in an Indian company there will be foreigners on the boards of Indian companies, we never. If you really go back some 20 years backwards or 15 year backwards also we never visualize the scenario, where there can be a foreigner on the board of directors of an Indian company.

But now, the situation has changed so much that you may require a foreigner or you may require a competent foreign person to really represent or take care of certain constituency in your BoD. Similarly, you cannot have any person as the CEO of a company. You should be able to have an extremely competent person as the CEO of a company.

Otherwise in the present competitive market scenario the company's interest will be drastically affected, if you have a person who is not able to take or who is not able to really motivate his people to take these important decisions. So, these are the issues which are becoming highly critical in the present day setup, so we will discuss.

In the next class, I will be discussing some questions which you would like to attempt on whatever we have covered till now, perhaps except the social audit portion. I will try to list out some questions, which you may like to answer as an assignment. Thank you.