

244

J.P.'s APPEAL TO BUSINESS MANAGEMENT

BY

M. R. MASANI

The passing away of Jayaprakash Narayan is perhaps an appropriate point of time at which to draw attention to the long campaign that he carried on among the leaders of Business and Management in India to persuade them to see the virtue of the path of Trusteeship led down by Mahatma Gandhi and of accepting the social responsibilities of business as a first step in that direction.

There are three possible views that an enlightened Management Man⁹ entrepreneur could take on this subject. The first of course is the ordinary Western business view that, if Business pays its taxes and produces a good product at a competitive price, it has done all that it should be expected legitimately to do and that it owes nothing more to society. This view, as it happens, is held by some quite enlightened Management Men in India.

The second view is of those few noble people who accept the Gandhian concept of Trusteeship. There can be but a handful of these as it is only too likely that they would not be able to stay in business for long if they conscientiously practised their role as Trustees.

The third view is somewhere in between these two extremes, and that is the view to which I myself subscribe, that both morality and expediency dictate that business in India should accept certain social obligations as a part of its responsibilities to the community.

Lord Coke had in his time observed that the Corporation has no soul. In the climate that prevails in India today, which has resulted from Gandhiji's teachings on the one hand and thirty years of State Socialist propaganda on the other, I would venture to suggest that the Corporation in India had better develop a soul. I believe that an acceptance of this middle path will make it easier for Indian industry to survive and to thrive.

The social responsibilities of business have been spelt out in a Declaration which was adopted at a conference sponsored by Jayaprakash from March 15 to 21, 1965 at the India International Centre in New Delhi. They form a part of the proceedings of the Conference which have been published under the title Social Responsibilities of Business. That Declaration outlines in succession the obligations of management towards shareholders, workers, consumers and the community.

If I may be permitted to strike a personal note, I may mention that this Conference called by Jayaprakash, with a

certain amount of modest encouragement from me, was the culmination of activities in which we had been engaged since the mid-fifties ever since Jayaprakash had engaged in the Bhoodan Movement. This was a continuous effort on his part to develop the concept of Trusteeship and the need for businessmen to move in the direction of a more clear acceptance of their social responsibilities as a first step.

The Group that met in Delhi was a remarkably interesting and representative one. Among business leaders there were only Mr. Charat Ram and Col. Leslie Sawhny. There were *many* academicians, planners and officials. Those from Europe and America included two old acquaintances of mine - Mr. George Goyder and Prof. Alan Flanders of Oxford.

With a group as heterogenous as this, it was only to be expected that the discussions should be lively and indeed, at times, somewhat heated. To start with, there was little in common between Marxists like Mr. K. T. Chandy and Prof. V. K. R. V. Rao, Gandhians like J.P., Mr. U. N. Dhebar and Prof. S. Das Gupta, and believers in competitive free enterprise like Col. Sawhny and myself. While in the Chair at one of the Sessions, I recall my impression that it felt like being astride a bucking bronco !

It is therefore a matter to be recorded with pleasure that, in the end, the Group was unanimous in adopting the Declaration. Col. Sawhny and I had argued throughout that, unless conditions were created in which businessmen could breathe freely and have elbow room to function, it would be unrealistic to expect their whole-hearted cooperation to this cause. I am glad to say that our views found reflection in an opening paragraph of the Declaration :

"At the outset, we believe that the social responsibilities of business can best be assumed in an atmosphere of freedom and with the least possible restraint on healthy competition. We may differ in individual views as to the relative role, size and liberty which we would wish to give to the private, public and state sectors. But we are united in the view that every enterprise, no matter how large or small, must, if it is to enjoy confidence and respect, seek actively to discharge its responsibilities in all the directions indicated above and not towards one group ~~among~~ alone, or to one or two groups, such as shareholders or workers, at the expense of the community and consumers. All life is a trust and all power carries with it obligations. The Gandhians

principle of trusteeship expresses the inherent responsibility of business enterprise to its consumers, workers, shareholders and the community and the mutual responsibilities of these to one another."

The effort to implement the Delhi Declaration included the convening, with JP's blessings, in September 1969, of a meeting of a few industrialists in Bombay to assess what had been done in concrete terms in furthering the Declaration adopted in Delhi in March 1965. This meeting, which was convened by Mr. Nani Palkhivala and myself as Chairman and Secretary of the Leslie Sawhny Programme for Training in Democracy, decided that certain proposals should be made to joint stock companies for their consideration and implementation. The first of these was that an enterprise should work out and adopt a statement of social objectives which would spell out the obligations which it accepts towards its shareholders, employees, consumers, the local community and society in general. It was suggested that the companies should alter their Articles of Association to include a General Purpose Clause on those lines. This step was actually taken by certain leading companies in the Tata Group who convened Extraordinary General Meetings to alter their Articles of Association accordingly. I believe this example was followed by certain Companies in the Bajaj Group.

The relevant article adopted at an Extraordinary General Meeting of the Tata Chemicals Ltd., on 29-1-1970, was an example :

" The Company shall have among its objectives the promotion and growth of the national economy through increased productivity, effective utilisation of material and manpower resources and continued application of modern scientific and managerial techniques in keeping with the national and aspirations; and the company shall be mindful of its social and moral responsibilities to customers, employees, shareholders, society and the local community. "

This was taking place by the time the next meeting was held on January 3, 1970, in Bombay with Mr. J. R. D. Tata in the Chair. At Mr. Tata's instance, it was agreed that some concrete steps should be taken by those who accepted their social responsibilities, which would involve some "sanctions" to implement these noble concepts. The meeting felt that Social Audit was perhaps the best way of devising these sanctions and that this concept should be studied.

Following another meeting on March 30, 1970, the Leslie Sawhny Programme requested a team of experts to prepare a framework for social audit by an industrial unit. This study team prepared a Note.

The latest development in this field is the statement made by the Chairman of the Tata Iron & Steel Co. Ltd.,

principle of trusteeship expresses the inherent responsibility of business enterprise to its consumers, workers, shareholders and the community and the mutual responsibilities of these to one another."

The effort to implement the Delhi Declaration included the convening, with JP's blessings, in September 1969, of a meeting of a few industrialists in Bombay to assess what had been done in concrete terms in furthering the Declaration adopted in Delhi in March 1965. This meeting, which was convened by Mr. Nani Palkhivala and myself as Chairman and Secretary of the Leslie Sawhny Programme for Training in Democracy, decided that certain proposals should be made to joint stock companies for their consideration and implementation. The first of these was that an enterprise should work out and adopt a statement of social objectives which would spell out the obligations which it accepts towards its shareholders, employees, consumers, the local community and society in general. It was suggested that the companies should alter their Articles of Association to include a General Purpose Clause on those lines. This step was actually taken by certain leading companies in the Tata Group who convened Extraordinary General Meetings to alter their Articles of Association accordingly. I believe this example was followed by certain Companies in the Bajaj Group.

The relevant article adopted at an Extraordinary General Meeting of the Tata Chemicals Ltd., on 29-1-1970, was an example :

" The Company shall have among its objectives the promotion and growth of the national economy through increased productivity, effective utilisation of material and manpower resources and continued application of modern scientific and managerial techniques in keeping with the national and aspirations; and the company shall be mindful of its social and moral responsibilities to customers, employees, shareholders, society and the local community. "

This was taking place by the time the next meeting was held on January 3, 1970, in Bombay with Mr. J. R. D. Tata in the Chair. At Mr. Tata's instance, it was agreed that some concrete steps should be taken by those who accepted their social responsibilities, which would involve some "sanctions" to implement these noble concepts. The meeting felt that Social Audit was perhaps the best way of devising these sanctions and that this concept should be studied.

Following another meeting on March 30, 1970, the Leslie Sawhny Programme requested a team of experts to prepare a framework for social audit by an industrial unit. This study team prepared a Note.

The latest development in this field is the statement made by the Chairman of the Tata Iron & Steel Co. Ltd.,

Mr. J. R. D. Tata, on 12th July 1979 addressed to the shareholders of the Company in advance of the Company's Annual General Meeting. In the course of the statement, the Chairman of TISCO observed :

" Your Company has always been conscious of the fact that its obligations extended beyond the normal corporate responsibilities of a joint Stock Company to its shareholders and included social obligations to employees, consumers and the national economy. The advent of Independence brought to us an added sense of duty to the nation and society as a whole as well as to the community in the midst of which our activities are located. Shareholders will remember that in 1970, in order to formalise these principles, our Memorandum and Articles of Association were amended to include a clause (Article 3A) which specifically called upon the Company to be mindful of its social and moral responsibilities to the consumers, employees, shareholders, society and the local community". "My colleagues and I now feel that the time has come when our belief that the Company has indeed lived up to its social and moral obligations should be independently confirmed. With that object in view, we have recently decided that, some time before the end of the year, a panel of four eminent and respected persons totally unconnected with the Company or its activities and enjoying public confidence should undertake such a 'social' audit. The members of the audit panel may consist of or include a retired judge of the Supreme Court or of the High Court, a Member of Parliament, a trade unionist and a sociologist, whose report will be made public. I hope shareholders will approve of this decision."

The world of Management will watch with keen interest, admiration and sympathy, the progress made with this momentous experiment by TISCO which may prove to be an example that in time will be followed by other enlightened managements.