Title Page

(a) Title of submission: Inter-relationship between Business Ethics and Corporate Governance among Indian companies

(**ii) Theme area** : Inter-relationship between Business Ethics and Corporate Governance

(iii) Name of the author: Prof. R Ramakrishnan

(iv) Designation with department: Professor and Head, Department of Management Studies

(v) Mailing address:
College**:** Muthayammal Engineering College, Rasipuram 637408

Residence: Suri Illam, 10A Swami Sivananda Salai, Rasipuram 637408

(vi) e-mail address: lalithark@eth.net

(vii) Phone number(s) College : 04287-220837 and 226837
Residence : 04287-225837
Mobile : 9865812476

(viii) Fax number: 04287- 226537

Presented by me
At the
International Seminar
At
The Institute of Management, NIRMA University, Ahmadabad
During 5-7Jan 2007

Inter-relationship between Business Ethics and Corporate Governance among Indian companies

Every organization, as they grow has many stakeholders like shareholders, employees, customers, vendors, community, etc. For survival and growth, they have to rely upon healthy relations with all these stockholders. Hence organizations need to provide good returns for shareholders but also good jobs for employees, reliable products for consumers, responsible relations with the community and a clean environment.

Business ethics is the application of general ethical principles to business dilemmas and encompasses a broader range of issues and concerns than laws do, as everything that is legal is not ethical. Ethics involves learning what is right or wrong, and then doing the right thing -- but "the right thing" is not nearly as straightforward

Business Ethics has the following purposes

- To give people the tools for dealing with moral complexity in business
- Business decisions have an ethical component
- Ethical implications must be weighed before acting

Corporate governance is concerned with the ownership, control and accountability of companies, and how the corporate pursuit of economic objectives relates to a number of wider ethical and societal considerations. It is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders

Good Corporate Governance is key to Growing Profits and Reputation. It represents the relationship among stakeholders that is used to determine and control the strategic direction and performance of organizations. Accountability is a key element as well as requirement for corporate governance, fortifying the latter in such a way that it provides a transparent template for governing critical decisions, procedures, and activities.

Corporate Governance deals with the questions:

(1) Who benefits from corporate decisions/senior management actions?
(2) Who should benefit from corporate decisions/senior management actions?

There are a number of reasons why businesses should act ethically .As behavior is based on values priorities, a mutual effort at all levels to deal with corporate ethics begins with a clear understanding of core values, both individually and organizationally.

Good corporate governance begins with a company's own internal practices and policies. While corporate governance issues are common across organizations, each company requires governance principles that are unique in their approach. Good governance is, ultimately, the sine qua non for continued growth and prosperity.

Corporate governance ensures that long term strategic objectives and plans are established and that the proper management structure is in place. Companies that provide good governance, both in terms of practices and results can expect the backing not only of investors but of customers too.

Corporate Governance represents the moral framework, the ethical framework and the value framework under which an enterprise takes decisions. In the long run ethical behavior has a positive impact on the company's performance.

This paper discusses the elements of corporate governance, inter-relationship between business ethics and corporate governance with reference to some of the Indian companies over the years and their impact in this era of globalization and liberalization.

Full Paper

Inter-relationship between Business Ethics and Corporate Governance among Indian companies

Every organization, as they grow has many stakeholders like shareholders, employees, customers, vendors, community, etc. While the ultimate purpose of all corporations is to create wealth for its shareholders, it is important to recognize that shareholders are indeed the residual stakeholders.

Organizations have to rely upon healthy relations with all these stockholders for their survival and growth. Hence they need to provide not only good returns for shareholders but also good jobs for employees, reliable products for consumers, responsible relations with the community and a clean environment.

The obligations towards the contractual stakeholders such as customers, employees, vendors, creditors and the society get precedence over the interests of the shareholders. The contribution of other stakeholders to the success of the corporation is not less important than that of the shareholders.

Business ethics is a form of applied ethics that examines ethical rules and principles within a commercial context. It is the application of general ethical principles to business dilemmas and encompasses a broader range of issues and concerns than laws do, as everything that is legal is not ethical. Law often represents an ethical minimum and Ethics often represents a standard that exceeds the legal minimum

Ethics is learned more than it is taught. It is based on observations of the conduct of others; people we like and respect as opposed to those we do not. Hence we act basically on our perceptions, however accurate or inaccurate they may be. Ethics involves learning what is right or wrong, and then doing the right thing -- but "the right thing" is not nearly as straightforward.

The Four Important Ethical Questions are

- What is?
- What ought to be?
- How to we get from what is to what ought to be?
- What is our motivation for acting ethically?

Companies have certain social responsibilities to fulfill and existence of the companies without doing so would be difficult and meaningless. Company is a part of the system and should thus follow ethical standards to maintain continued growth.

Business ethics is based on broad principles of integrity and fairness. It focuses on internal stakeholder issues such as product quality, customer satisfaction, employee benefits, environmental responsibilities that a company can actually influence. It is the application of general ethical principles to business dilemmas.

A business dilemma exists when an organizational decision maker faces a choice between two or more options that will have various impacts on (a) the organization’s profitability and competitiveness and (b) its stakeholders.

Ethical Issues in Business involves

- Employee-Employer Relations
- Employer-Employee Relations
- Company-Customer Relations
- Company-Shareholder Relations
- Company-Community/Public Interest

Business ethics include practices and behaviors that are good or bad. Conventional approach to business ethics involves a comparison of a decision or practice to prevailing societal norms. Excellence has to be a continuous pursuit in our thoughts, words and deeds. It is what all of us must strive for in every aspect of our work life.

The foundation for ethical behavior goes well beyond corporate culture and the policies of any given company, for it also depends greatly upon an individual's early moral training, the other institutions that affect an individual, the competitive business environment the company is in and, indeed, society as a whole.

Values are the boundaries, beliefs, and guiding principles that facilitate the journey of the corporate towards its vision. Values are the unflinching commitments to its stakeholders as these commitments form the very core of the existence of the corporate itself.

Ethics, like democracy, is a lot easier in theory than in practice. 'Does Business Ethics Pay? Ethics and profits do mix well. The UK's Institute of Business Ethics (IBE) finds that in a sample of FTSE 350 firms 'ethical' companies outperformed those which made no such claims on three out of four financial measures (market value added [MVA], economic value added [EVA] and price/earnings ratio). In the long run the old age "Honest is the best policy", may be the best strategy to adopt.

Business ethics consists of

- Defining appropriate behavior
- Establishing organizational values
- Nurturing individual responsibility
- Providing leadership & oversight
- Relating decisions to stakeholder interests
- Developing accountability
- Relating consequences
- Auditing & improvement

Business Ethics has the following purposes

- To give people the tools for dealing with moral complexity in business
- Business decisions have an ethical component
- Ethical implications must be weighed before acting

Business ethics is about what ought to be done or what ought not to be done and are more concerned with practical problems and applications, and any specific duties that might apply to business relationships. It can be examined from various perspectives, including the perspective of the employee, the commercial enterprise, and society as a whole

There are a number of reasons why businesses should act ethically .As behavior is based on values priorities, a mutual effort at all levels to deal with corporate ethics begins with a clear understanding of core values, both individually and organizationally.

Some of them are as under:

- To meet stakeholder expectations,
- To prevent harm to the general public,
- To build trust with key stakeholder groups,
- To protect themselves from abuse from unethical employees and competitors,
- To protect their own employees, and
- To create an environment in which workers can act in ways consistent with their values.

Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way a corporation is directed, administered or controlled. It is concerned with the ownership, control and accountability of companies. A number of wider ethical and societal considerations are related to the way corporate tries to achieve its economic objectives.

Corporate governance is the application of

- Best management practices,
- Compliance of law in true letter and spirit and
- Adherence to ethical standards for effective management and distribution of wealth &

- ❖ Discharge of social responsibility for sustainable development of all stakeholders

According to Wikipedia the term "Corporate Governance" has come to mean many things. It may describe:

- ❖ The processes by which companies are directed and controlled encouragement of companies' compliance with codes (as in corporate governance guidelines)
- ❖ Investment technique based on active ownership (as in corporate governance funds)
- ❖ A field in economics, which studies the many issues arising from the separation of ownership and control

Corporate Governance deals with the questions:

(1) Who benefits from corporate decisions/senior management actions?

(2) Who should benefit from corporate decisions/senior management actions?

"Corporate governance is about promoting corporate fairness, transparency and accountability" J. Wolfensohn, president of the Word bank, as quoted by an article in Financial Times, June 21, 1999.

Key elements of good corporate governance principles include honesty, trust and integrity, openness, performance orientation, responsibility and accountability, mutual respect, and commitment to the organization.

Good Corporate Governance is key to Growing Profits and Reputation. It represents the relationship among stakeholders that is used to determine and control the strategic direction and performance of organizations.

Accountability is a key element as well as requirement for corporate governance. In its broadest sense, corporate governance encompasses the framework of rules, relationships, systems and processes within and by which fiduciary authority is exercised and controlled in corporations.

Good corporate governance begins with a company's own internal practices and policies. While corporate governance issues are common across organizations, each company requires governance principles that are unique in their approach. Good governance is, ultimately, the sine qua non for continued growth and prosperity.

A well-constructed governance structure enhances a company's competitiveness. The initial impact is greater transparency and more effective oversight, which increases investor confidence. A higher investors confidence level flows through into a higher valuation. Companies that enjoy higher valuations find it easier to access capital, on terms that are finer.

Companies, which are perceived to be governed well also enjoy a good image. Talent is drawn to organizations that radiate a positive image. Customers and suppliers want to do business with such a company. Communities want a good corporate citizen in their midst. Good image and good citizenship often tip the scale in critical situations.

Corporate governance ensures that long term strategic objectives and plans are established and that the proper management structure is in place. Companies that provide good governance, both in terms of practices and results can expect the backing not only of investors but of customers too.

Corporate Governance represents the moral framework, the ethical framework and the value framework under which an enterprise takes decisions. In the long run ethical behavior has a positive impact on the company's performance. Ethics just makes good business sense.

Values are not for large companies alone. Corporate Governance & Values cannot be separated from day to day issues, regardless of the size of the company. They are equally important for small companies as well. "Good

Corporate Governance" is the sum total of value based decisions and actions taken by people at all levels in the organization. It is an instrument to maximize shareholder value.

Good corporate governance is vital to integrity and efficiency of financial markets. Poor corporate governance on the other hand weakens a company's potential and perhaps can pave the way for financial difficulties and even frauds. If companies are well governed, they will usually outperform other companies and will be able to attract investors whose support can help to finance further growth.

Ultimately, corporate governance is the net result of the individual sense of values, the values held in society or part of a society like professional bodies or business associations and finally the system of public governance. Companies stand to gain by adopting systems that bolster investor trust through transparency, accountability and fairness.

Corporate Governance is an important instrument of investor protection. The key to corporate governance lies in transparency in decision-making and accountability to safeguard the interests of the stakeholders and the investors. Ultimately all this helps create a self-driven, self-assessed and self-regulated organization.

Corporate governance issues are receiving greater attention in both developed and developing countries as a result of the increasing recognition that a firm’s corporate governance affects both its economic performance and its ability to access long-term, low-cost investment capital.

Corporate governance implies a well-defined, well-structured and well-communicated system to manage, direct and control the conduct of business of a company. The corporate governance structure specifies the distribution of responsibilities among different elements of the company — the individual board members, board committees, the executive functionaries like the chief executive and chief financial officers — and spells out the rules and procedures for making decisions on corporate affairs.

Public’s interest in business ethics increased during the last four decades. Corporate Governance in the west has formally evolved over a period of last 10 years. In the wake of numerous corporate scandals such as Enron and World.com have rocked the global financial markets and shaken the confidence of investors. No major scandal involving corporate governance has taken place in India so far.

In a study done by Collins and Porras between 1926 and 1990—published in their book Built to Last 18 visionary companies achieved a growth in shareholder value 15 times greater than the general market. Studies have also proved that there is a direct co-relation between ethical conduct and job satisfaction. It is in fact one of the greatest motivating factors. Wherever the top management gives strong support to ethical conduct, it increases an employee’s identification with the company.

Corporates have realized that the pursuit of self-interest will not only destroy the environment, but our social fabric as well. The era of shortsighted corporate autocracy is gradually coming to an end. High ethical standards are now recognized as an asset for a company (though “goodwill” is not considered as a balance-sheet item), and unethical behavior is a liability

India has, by and large, enjoyed a history of compliance to legal and ethical standards in business and Indians strive to be good business partners. Our commitment to ethical and moral standards of business conduct must be capable of withstanding the most rigorous scrutiny.

A standard & Poor’s transparency and disclosure survey in 2001 evaluated on the basis of 98 possible information attributes scored on a binary basis representing a “yes” (included) or “no” (not included) answer and grouped into three sub-categories (a) Ownership structure and investor relations (28 attributes), (b) Financial transparency and information disclosure (35 attributes), and (c) Board and management structure and processes (35 attributes). Infosys Technologies and SSI received the highest rating of 7, while BSES, Grasim Industries, HDFC, NIIT, Ranbaxy Laboratories and HFCL scored 6. ICICI, Larsen & Toubro, Satyam Computer Services, Tata Tea, Videsh Sanchar Nigam Ltd, BPL, Digital Equipment (India) and Global Telesystems scored 5

ITC's production facilities and hotels have won numerous national and international awards for quality, productivity, safety and environment management systems. ITC was the first company in India to be rated for Corporate Governance by ICRA, an associate of Moody's Investors Service,

Today, many Indian companies are restructuring, raising capital overseas and listing their shares on foreign stock exchanges and all this ferment has led towards a sharper focus on Corporate Governance. Many of the international best practices have been adopted - and adapted - and encapsulated in a SEBI code, which is statutory and applicable to all listed companies.

Good corporate governance begins with a company's own internal practices and policies. While corporate governance issues are common across organizations, each company requires governance principles that are unique in their approach. For this initiative to be successful, the guiding principles should be clearly understood and put into practice at every level within the company. This code should be adhered to in letter and in spirit.

Commonly accepted principles of corporate governance include:

- ❖ Rights and equitable treatment of shareholders. Organizations should respect the rights of shareholders and help shareholders to exercise those rights.
- ❖ Interests of other stakeholders: Organizations should recognize that they have legal and other obligations to all legitimate stakeholders.
- ❖ Role and responsibilities of the board: The board needs a range of skills and understanding to be able to deal with various business issues and have the ability to review and challenge management performance.

- ❖ Disclosure and transparency: Organizations should clarify and make publicly known the roles and responsibilities of board and management to provide shareholders with a level of accountability.
- ❖ Integrity and ethical behavior: Organizations should develop a code of conduct for their directors and executives that promote ethical and responsible decision-making.

The applications of these principles would be governed by internally designed procedures that are unambiguous and clearly understood. Good governance is, ultimately, the sine qua non for continued growth and prosperity.

Issues involving corporate governance principles include:

- ❖ Oversight of the preparation of the entity's financial statements
- ❖ Internal controls and the independence of the entity's auditors
- ❖ Review of the compensation arrangements for the chief executive officer and other senior executives
- ❖ The way in which individuals are nominated for positions on the board
- ❖ The resources made available to directors in carrying out their duties
- ❖ Oversight and management of risk
- ❖ Dividend policy
- ❖ Internal corporate governance controls
- ❖ Internal corporate governance controls monitor activities and then take corrective action to accomplish organizational goals. Examples include:

Corporate Governance systems must have an independent Board of Directors following international practices, committed management team, internal control systems and dissemination of information to various stakeholders

Cadbury committee set up in UK in 1992 shot Corporate Governance in prominence world over. It published its Code of Best Practice in December 1992. The recommendations included separating the roles of the CEO and chairman, having a minimum of three non-executive directors on the board and the formation of audit committees. The code also advocated a more active role for institutional investors to promote good practices in corporate governance.

One of the most influential guidelines has been the 1999 OECD Principles of Corporate Governance. This was revised in 2004. The OECD remains a proponent of corporate governance principles throughout the world.

The European Shareholders Group (`Euro shareholders') is the confederation of European shareholders' associations. It was founded in 1990 and is based in Brussels. At present, eight national shareholders associations are members of Euro shareholders. The organization’s principal task is to represent the interests of individual shareholders in the European Union.

Fortunately, India has been spared of any major corporate debacles of the kind the world witnessed recently. Today, strong macro economic fundamentals, good growth rate, low inflation, low interest rate, burgeoning Forex reserves, encouraging corporate performance, global recognition of India’s potential and upgradation of country’s rating, surging secondary market and rising confidence level of investors all these augur well for the country and the Capital Market.

Corporate Governance is extremely important for India. Indian economy is fast getting integrated with Global Economy. Therefore, in order to attract foreign direct investments through ADRs / GDRs, Indian companies will have to bring transparency in their working and get focused towards "Shareholders Value Maximization" and above all become sensitive to the interests of society at large, as responsible corporate citizen. They do not have a choice.

The LPG (liberalization, privatization and globalization) has fired the competitive spirit among the corporates. The quality of governance will become one of the key tests and challenges of leadership and one of the major drivers of shareholder value in our country as well

The issue of corporate governance has acquired centre-stage as a consequence of foreign investments flowing into India. Overseas investors wish to be reassured that the companies they invest in will not only be managed well, but be required by law to be managed in an open and transparent manner.

An annual collaborative study of the corporate governance landscape of Asian markets undertaken by CLSA Asia Pacific Markets and the Asian Corporate Governance Association has concluded that there appears to be a clear correlation between companies and markets with strong corporate governance and superior returns over the long term. According to the study, India ranks among the top three in terms of corporate governance.

As the regulator for the securities market, the Securities and Exchange Board of India (SEBI) has been focusing on the following areas to improve corporate governance:

- Ensuring timely disclosure of relevant information,
- Providing an efficient and effective market system,
- Demonstrating reliable and effective enforcement, and
- Enabling the highest standards of governance.

Indian securities market has been a model for others. Hence it is natural that it leads in the area of corporate governance also.

The initiatives for improvement in corporate governance are coming mainly from three sources namely,

- Market,
- Regulator and
- Legislature.

Market

The most important initiative comes from market forces and mechanisms that encourage and insist on the management's improving the quality of corporate governance. Indian market has formalized such forces in the form of a rating called 'Corporate Governance and Value Creation Rating', which is quite unique in the World and is sought after voluntarily by the companies.

Both CRISIL and ICRA have developed rating models. In course of time, corporates, well rated on corporate governance standards, would reap the benefit of access to cheaper funds, reputational gains and stake holder's loyalty.

Creation Rating (GVC)' of CRISIL is significantly different from the' Traditional Corporate Governance Rating (TCG)', which is available in several regulatory jurisdictions. The GVC approach stems from the belief that good governance, over and beyond its process aspects, is fundamentally a sustainability issue - good governance should result in the creation and fair distribution of tangible benefits. It is based on the following premises:

- The strength of stakeholder relationships can add to/impede future wealth creation by the corporation
- Governance processes must be such that wealth created is evenly distributed across all classes of stakeholders.
- Management quality must be such that it is able to adapt the above two to match the dynamics of the business environment
- All these impact stability of future wealth creation

While the corporate governance is expected to enhance the interests and fulfill the aspirations of all stakeholders, it does not necessarily happen always. The GVC assessment process of CRISIL is quite detailed and comprises assessments of:

- Governance processes
- Wealth Creation assessed in detail for each kind of the stakeholder
- Wealth Management
- Wealth Sharing

Regulator

The regulator has been endeavoring to inculcate a culture of corporate governance among the market participants and the listed companies.

The Kumar Mangalam Birla Committee of the Indian jurisdiction outlined a code of good Corporate Governance, which compared very well with the recommendations of the Cadbury Committee and the OECD codes. It studied in detail the Corporate Governance codes of Europe, America as well as many other countries. The code was operationalised by inserting a new clause (Clause 49) to the Listing Agreement, and has been made applicable to all the listed companies in India in a phased manner.

The corporate governance guidelines are evolving in tune with market dynamics. As part of SEBI's continual search for improvement, Narayana Murthy Committee was asked to evaluate the adequacy of the existing practices. Based on its recommendations, Clause 49 of the listing agreement was comprehensively revised in the last August.

Among others, three issues disturbed the corporates more:

- Definition of independent directors,
- Nine-year term for such directors and
- Whistle blowing policy.

The Narayan Murthy Committee has refined the corporate governance norms that are proposed to be implemented through modification in the listing agreement. Government also appointed a few committees. Based on their recommendations, Government is trying to provide statutory back up to corporate governance standards.

Legislature

The Companies Act is the basic law to facilitate incorporation and management of companies. Amendments in the Companies Act, 1956 are being made to provide for statutory backing to corporate governance standards. The amendments are focusing on reforming the audit process and the board of directors. Thus there is a concerted effort - the market, the regulator and the government are working in tandem to improve corporate governance in India.

The three Indian companies listed on NASDAQ are Infosys, Rediff and SIFY. These are companies that set example to other through innovation and growth. They have maintained high standards of corporate governance, display total transparency in their dealings and have always been forthcoming with information to their investors.

Infosys Technologies, Reliance Industries, the Tata Group and Wipro were the four Indian companies rated among the world's most respected companies, according to a global survey conducted by the Financial Times and

PricewaterhouseCoopers. Reliance Industries became one of the top ten most respected energy and chemicals company in the world.

Let us look at the policies of some of our successful corporates

Tata group

Business excellence has been embedded in the Tata Group through a holistic methodology that enables companies to heed the call of quality. Words such as 'quality' and 'business excellence' have become so much a part of the management lexicon that they are sometimes taken for granted, observed more in the breach or by faddish rote. Not so in the Tata Group, where they have been embraced with a passion that reflects a deeper understanding of their significance to the health and wealth of all entrepreneurial activity.

The quality movement in the Tata Group is defined by a framework known as the Tata Business Excellence Model (TBEM), which has been adapted from the renowned Malcolm Baldrige archetype. The Model works under the aegis of Tata Quality Management Services (TQMS), an in-house organization mandated to help different Tata companies achieve their business objectives through specific processes. These processes — which have come to characterize the Tata way of enhancing and conducting its business endeavors — essentially relate to two factors: business excellence and business ethics.

The core values and concepts of TBEM are embodied in seven categories:

- Leadership;
- Strategic planning;
- Customer and market focus;
- Measurement,
- Analysis and knowledge management;
- Human resource focus; process management; and
- Business results.

The TBEM system focuses on certain key areas of business performance: customer-focused results; product and service results; financial and market results; human resource results; organizational effectiveness results; governance and social responsibility results

In its endeavor to safeguard the interests of the investors, the Company had adopted the Tata Code of Conduct for Prevention of Insider Trading, as also the Code of Corporate Disclosure Practices, in pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations. In line with international governance practices, the Company formulated and implemented a Whistleblower Policy which provides a formal mechanism for employees to freely approach the Senior Management with concerns on ethical and financial issues as also for addressing the reported concerns.

The Company is in full compliance with the applicable requirements under Clause 49 of the Listing Agreement with the Stock Exchanges. The Company is listed on the New York Stock Exchange (NYSE) and is actively pursuing the compliance with the regulations of the Securities Exchange Act, the Sarbanes-Oxley Act of 2002, the NYSE Listing Manual and the relevant securities laws, as applicable to Non-US Issuers. The Company is confident of meeting the various applicable time frames in connection with the said listing.

Mahindra & Mahindra Financial Services Limited

In its pursuit towards this goal, we, at Mahindra & Mahindra Financial Services Limited (MMFSL), have always laid emphasis on practices that reaffirm the fundamentals of effective governance; practices that maintain a balance between individual aspirations and corporate goals; practices that underline our core values; and, above all, practices that would result in delivering excellent products and services whilst, at the same time, striving to make the world a better place.

MMFSL recognizes that there are many aspects of Corporate Governance, each as important as the other. Ensuring an adequate return to shareholders is one of them. Being transparent in the conduct of business affairs and maintaining the trust and confidence of stakeholders is another facet of Corporate Governance.

Corporate Governance is also concerned with the empowerment of employees and the ethics, values and morals of a company and its employees.

Developing capabilities, identifying opportunities and integrating Corporate Social Responsibility with operations is yet another area that adds to value creation…….. the list could go on. It is for us to ensure that all these are carefully woven together to produce a tapestry of myriad hues that symbolizes strong business relationships, shareholder trust, employee loyalty, respect in the community and excellence in all that we do.

The highest standards of integrity, impartiality, equity and objectivity shall be observed in every activity that encompasses the business, so as to uphold and enhance the reputation of the “Mahindra Finance” trade name. Business decisions shall be taken in a manner that supports full and open competition and secures for the Company the best products and services at the mot competitive price.

Indian Oil Corporation

Vision

A major diversified, transnational, integrated energy company, with national leadership and a strong environment conscience, playing a national role in oil security& public distribution.

Mission

- To achieve international standards of excellence in all aspects of energy and diversified business with focus on customer delight through value of products and services, and cost reduction.
- To maximize creation of wealth, value and satisfaction for the stakeholders.
- To attain leadership in developing, adopting and assimilating state-of- the-art technology for competitive advantage.
- To provide technology and services through sustained Research and Development.

- To foster a culture of participation and innovation for employee growth and contribution.
- To cultivate high standards of business ethics and Total Quality Management for a strong corporate identity and brand equity.
- To help enrich the quality of life of the community and preserve ecological balance and heritage through a strong environment conscience.

Values

- Care
- Innovation
- Passion
- Trust

Dr. Reddy's Lab

Dr. Reddy's long-standing commitment to high standards of corporate governance and ethical business practices is a fundamental shared value of its Board of Directors, management and employees. The Company's philosophy of corporate governance stems from its belief that timely disclosures, transparent accounting policies, and a strong and independent Board go a long way in preserving shareholders trust while maximizing long-term shareholder value.

The company has identified and established its core purpose, mission and core values for achieving corporate excellence. Dr. Reddy's believes in crafting an environment where the parameters of conduct and behavior of the company and its management is constantly aligned with the business environment.

The highlights of Dr. Reddy's Corporate Governance systems are an independent Board of Directors following international practices, committed management team, internal control systems and dissemination of information to various stakeholders.

The Mastek

The Mastek board spends a lot of time discussing corporate governance matters, including business ethics and best practices. A corporate governance report is issued every quarter. It comprises internal reports and certifications on topics such as Business Risk Management, Financial Planning and Budgeting, Financial Risk Mitigation and Management, Shareholder Relationships, Customer Relationships, Employee Relationships, Other Stakeholder Relationships, and Asset and IPR protection. The board discusses the report at length at its meetings. Customer and employee survey analysis reports are also placed before the board.

SUNDARAM-CLAYTON LIMITED (SCL)

Sundaram-Clayton Limited (SCL), in line with TVS Group philosophy, truly believes in independence, responsibility, transparency, professionalism, accountability and code of ethics, which are the basic tenets of corporate governance. SCL always seeks to achieve optimum performance at all levels in adopting and adhering to best corporate governance practices. SCL has always focused on corporate governance as a means to maximize long-term stakeholders' value through disciplined and sustained growth and value creation.

The code of business conduct and ethics helps to ensure compliance with legal requirements and standards of business conduct. The board of directors (the board) has adopted a code of business conduct and ethics (the code) for all board members and senior management personnel viz., all members of management one level below executive directors, including all functional heads. Every board member and senior management personnel is expected to read and understand this Code and its application to the performance of his or her duties, functions and responsibilities. All board members and senior management personnel shall affirm compliance with the code on an annual basis.

HDFC

HDFC, within its web of relationships with its borrowers, depositors, agents, shareholders and other stakeholders has always maintained its fundamental principles of corporate governance – that of integrity, transparency and fairness. For HDFC, corporate governance is a continuous journey, seeking to provide an enabling environment to harmonize the goals of maximizing shareholder value and maintaining a customer centric focus.

At the HDFC group, corporate governance is voluntary, a self-disciplining code, which means not only ensuring compliance with regulatory requirements, but by also being responsive to customer needs. HDFC has always maintained that a strong customer focus and a value-driven organization are the means of attaining ‘profits in perpetuity’. More specifically, the focus of the Board and the management has always been to ensure value creation for each of its stakeholders.

Select Bibliography:

1. Business Ethics and Corporate Governance Textbook by ICFAI
2. Eleanor Bloxham "Value-Led Organizations " Capstone 2002
3. Argandona, Antonio (2003), "Fostering Values in Organizations," Journal of Business Ethics, 45 (1), 15-28.
4. Driver, Ciaran and Grahame Thompson (2002), "Corporate Governance and Democracy: The Stakeholder Debate Revisited," Journal of Management & Governance, 6 (2), 111-30.
5. Ginsburg, Lee and Neil Miller (1992), "Value-Driven Management," Business Horizons, 35 (3), 23-27.
6. Case study of “Corporate Governance @ HDFC LTD by Ruchi Gairola & Ajay Khanna IIM – Ahmedabad 2003
7. N Vittal, Central Vigilance Commissioner " Impact Of Corporate Governance Towards Competitive Advantage" - (Inaugural Address in the Advanced Management Programme, 22.11.98, Bangalore)

Websites

www.corpgov.net www.secretsofsuccess.com www.thevaluealliance.com
www.tata.com en.wikipedia.org www.ameinfo.com www.strategy-business.com
www.business-ethics.com www.mba-courses.com www.cvc.nic.in
www.sas.com www.management-issues.com www.india-today.com

==