SAMVAD

Igniting Thoughts of Tomorrow

We Chat

Virendra Gupte
Visiting Faculty
Consultant - Tata International
Former Head - Trade Services
Chief Ethics Counsellor and
Corporate Sustainability

Featured Article

Rise in Female Corporates at the Top—Reality or Myth

Also Read

Corporate Fraud
Inefficiency
of Corporates

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About WeSchool

OUR VISION

"To nurture thought leaders and practitioners through inventive education"

CORE VALUES

Breakthrough Thinking and Breakthrough Execution

Result Oriented, Process Driven Work Ethic

We Link and Care

Passion

"The illiterate of this century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn." - Alvin Toffler

At WeSchool, we are deeply inspired by these words of this great American writer and futurist. Undoubtedly, being convinced of the need for a radical change in management education, we decided to tread the path that leads to corporate revolution.

Emerging unarticulated needs and realities need a new approach both in terms of thought as well as action. Cross disciplinary learning, discovering, scrutinizing, prototyping, learning to create and destroy-the mind's eye needs to be nurtured and differently so.

WeSchool has chosen the 'design thinking' approach towards management education. All our efforts and manifestations as a result stem from the integration of design thinking into management education. We dream to create an environment conducive to experiential learning.

Message from the Group Director

Prof. Dr. Uday Salunkhe,
Group Director

Dear Readers,

It gives me great pride to introduce Samvad issues every month. Our Samvad team's efforts seem to be paying off and our readers seem to be hooked onto our magazine. At WeSchool we try to acquire as much knowledge as we can and we try and share it with everyone. I sincerely hope that Samvad will reach new heights with the unmatched enthusiasm and talent of the entire Samvad Team.

Here at WeSchool, we believe in the concept of AAA: Acquire Apply and Assimilate. The knowledge that you have acquired over the last couple of months will be applied somewhere down the line. When you carry out a process repeatedly it becomes in-grained in you and eventually tends to come out effortlessly. This is when you have really assimilated all the knowledge that you have gathered.

At WeSchool, we aspire to be the best and to be unique, and we expect nothing but the extraordinary from all those who join our college. From the point of view of our magazine, we look forward to having more readers and having more contributions from our new readers.

Samvad is a platform to share and acquire knowledge and develop ourselves into integrative managers. It is our earnest desire to disseminate our knowledge and experience with not only WeSchool students, but also the society at large.

Prof. Dr. Uday Salunkhe,
Group Director

OUR VISION

"To facilitate exchange of ideas that inspire innovative thought culture"

MISSION

To Dialogue

To Deliberate

To Develop

To Differentiate

As the student magazine of WeSchool, Samvad is greatly inspired by the words of Alvin Toffler backed by a strong vision of facilitating exchange of ideas that inspire innovative thought culture. Samvad is a platform for the next generation leaders to bring forth their perspective on management to the world and gives the readers an opportunity to learn, unlearn and relearn on a continuous basis.

The team of Samvad is driven by a set of strong WeSchool values which enable us to create a dialogue leading to knowledge gaining and sharing, to deliberate on the information, to develop a sense of creativity and differentiate our minds with innovative thoughts of tomorrow; today.

"It takes 20 years to build a reputation and 5 minutes to ruin it. If you think about that, you'll do everything differently."

– Warren Buffet

Dear Readers,

Welcome to the November Issue of Samvad!

The 2008 US subprime crisis sent shockwaves across the global financial world. In the aftermath of the crisis several economies and stock markets plummeted. The loss wasn't simply an economic one but also a loss of face and trust in big corporate entities.

Similarly, in more recent times the Volkswagen emission scandal has shaken up public at large & in turn tarnished the reputation of the automobile giant. Cases like these show that upholding corporate governance is a cause of worry not just in small enterprises but also for large renowned organisations. Transparency and good governance are crucial elements that make up the foundation of a sustainable & longstanding organisation and yet companies continue to find ways and means to avoid accountability adopt fair practices and abide by the laws.

Through our issue on the theme of Corporate Governance we intend to address and throw light on these very challenges faced by organisations in their quest for right governance. The conflict between wanting to do the right thing and actually acting on it is something all organisations struggle to strike a balance between. We have a feature interview with Mr. Virendra S Gupte - Visiting Faculty, Consultant - Tata International Limited (Former Head - Trade Services , Chief Ethics Counsellor and Corporate Sustainability). He elucidates on the need for a strong corporate governance framework and the ethics and governance practices that form the blood and bones of a robust organisation. The issue also has a host of articles which cover the various financial, operational and people aspects of governance.

I hope you enjoy reading this issue just as much as we did developing it. Do remember to write back with your valuable feedback and suggestions. Stay with us for our next issue on Climate Risk Management.

Until then...

Read Better to Know Better!!!

Best Wishes,

Anuja Kadam

Editor

Acknowledgements

Team Samvad would like to extend its heartfelt thanks to certain key members of the WeSchool family for their special efforts towards the making of this magazine.

We deeply appreciate the constant motivation & encouragement that our beloved **Group Director Prof. Dr. Uday Salunkhe** has always given us. His vision & result orientation has been the driving force in creating brilliant leaders and making WeSchool a name to reckon with, not only in India but also globally. His focus on the core values of Passion, We Link & Care, Result Oriented Process Driven Work Ethic and Breakthrough Thinking has formed the foundation of all the activities that we undertake as students of this esteemed institute.

We deeply appreciate the help and support given to us by **Prof. Deepa Dixit**. Her insight and expertise is our driving force to ensure the sustainability of our magazine.

We appreciate **Prof. Indu Mehta** for her help in selecting the best Marketing articles. She is a part of our core Marketing faculty at WeSchool.

The Finance articles were scrutinized by **Prof. Sapna Mallya** and we thank her for choosing the most relevant and informative articles.

We appreciate the efforts of **Prof. Jyoti Kulkarni** for selecting the most interesting articles in General Management domain.

The Human Resources articles were scrutinized by **Prof. Rimmi Joneja.** We thank her for choosing the best articles.

We would like to thank **Ms. Yashodhara Katkar**, General Manager - Liaison, WeSchool and her PR team for helping us to reach out to our readers. Also, we thank **Ms. Prachi Shah** and her team for helping us out in the website updates of Samvad

We are indebted to **Prof. Jalpa Thakker** for all her help and guidance in the making of Samvad. Her insight and suggestions have been of tremendous benefit to us. The Samvad Team would truly be incomplete without her.

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An Interview with Mr. Virendra S. Gupte

By: Team Samvad

(Visiting Faculty, Consultant - Tata International Limited, Former Head - Trade Services , Chief Ethics Counsellor and Corporate Sustainability)

1. Please take us through your professional journey after graduating from the Law College?

I joined Tata International Limited , over three decades ago, (formerly known as Tata Exports Limited) as a Commercial Officer trainee after graduating from Ramnarian Ruia College - specialization in Economics. Thereafter , I completed three year law course at Government Law College and also completed a course in Business Management at Wellingkar Institute . Interestingly, in those days, this imposing campus did not exist . The plot of land on which this excellent campus has come up was then a barren piece of land !

I was the recipient of Government of Maharashtra Merit Scholarship throughout my graduation and post graduation course.

During my working career , I specialized in Foreign Trade procedures, CG, Regulatory affairs, Global Risk Management, Business Excellence , Social Accountability Standards and Corporate Sustainability. Was also appointed as Chief Ethics Counselor of the Company and discharged the role as an Evangelist for over 10 years. Also served for 2 years as Member of the UN Task Force on Anti-Corruption and Co-Chairman of International Trade committee of Bombay Chamber of Commerce and Industry for 3 years.

My association with We School is over 15 years as a visiting faculty – initially for the Autonomous Courses and during the last 5 years at the main institute ! This is my humble " giving back" to the institute which gives me a great sense of pride and fulfillment.

2. What is the TATA corporate governance model and philosophy?

The TATA CG model and philosophy reflects the values propounded by the Founder – Jamsetji Tata, over 168 years ago!!

Jamsetji Tata's Vision envisaged greater good of Society on par with business growth. The twin pillars on which the Governance model stands is Transparency and Accountability.

The Group's practice of returning to the Society what it earns has evoked TRUST among Customers, Employees, Shareholders and the Community. The bottom line is Leadership with TRUST.

3. How important is corporate governance for a company's sustainability?

The crucial factor that assures sustainability of a Company is robust Corporate Governance. Good governance can result in long term stakeholder value creation.

Sustainability is built into TATA Group's business processes through a well defined Vision , Value system committed to social expenditure , environmental preservation and a governance structure that engages employees and other stakeholders. The Group's Sustainability Policy helps to integrate sustainability considerations in all decisions and key work processes, mitigating risks and maximizing opportunities.

4. Inculcating strong corporate governance ethics at the grassroots is as important as maintaining transparency in the company. What are your views on this?

The Leadership has a critical role to articulate Vision , Mission and Values of a Company in a cogent manner and create a ethical climate by leading by example. The value system has to be communicated across the organization and has to percolate to the grassroots. The worker on the shop floor should get inspired by leaders who should be like role models.

A transparent culture where every employee can have freedom to air views and raise concerns which get redressed ensures good governance which becomes contagious not only in the company but also in the external eco system of the company like its stakeholders. However, this is possible when Organizations create and nurture Ethics Champions to spread the gospel !

5. Do you think having a people-oriented approach helps better in dealing with issues of corporate governance?

Corporate Governance is not an abstract concept nor it can be a fad / flavor . It is not sufficient that CG is only understood by a handful few. This is a hands –on subject which requires 100% commitment and deployment . People orientation is a key requisite to ensure the company has a culture of openness and compliance.

6. How do companies ensure Accountability and Transparency in the internal operations of their firms?

Companies need to have a professional performance driven culture. There has to be clearly laid out processes which are transparent especially relating to performance expectations of every individual aligned to the Company's Vision , Mission and Goals broken down in numbers / milestones. Once the Accountability matrix is put in place , the day to day operations have to be transparent .Decision making has to be based on Company's values, business model and Standard Operating Procedures and Code of Conduct.

Reward and Recognition has to be based on twin attributes of Accountability and Transparent behavior. Professional Integrity should get precedence over personal likes and dislikes , bias and nepotism.

Organizations have to construct in a diligent manner the entire edifice based on Accountability and Transparency and leaders have to walk the talk!

7. How important are public communications from the point of view of sending out good company image across the world?

Public communication will enjoy credibility only when the Company has a credible reputation in the market place . This can only happen when product and service offerings are of uncompromising quality , delivered to Customers in time and create a value proposition. Good image is created accordingly. It is futile to spend money on PR and Brand Building if the company's integrity is in doubt and market reputation is in tatters !

8. What are the issues, challenges and weaknesses of corporate governance in India?

In the past , most Indian firms never gave credence to CG issues. They assumed that whatever they produced would be accepted by Customers. Customer or Stakeholder accountability was an alien concept to most or it did not concern them.

However, with the advent of globalization, fierce competition in the market place and professional management culture of most MNC's in India , served as an eye opener to Indian – especially family owned enterprises. The mind set was to make a fast buck , adopt unethical means and violate norms.

However, the regulatory environment in India has become more stringent post corporate scandals like Satyam, especially SEBI regulations – Clause 49 relating to Corporate Governance and the Governance requirements under the new Companies Act, 2013 . Also the courts and media have become the conscience keepers of the citizens demanding Transparency and Accountability from Corporates and responsible behavior.

Indian companies are gradually aligning their processes and policies to becoming accountability to their stakeholders. A company whose integrity is in doubt will be shunned in the market place.

9. How robust are Corporate Governance norms of India vis-à-vis other nations? Does corporate governance mean the same thing to everyone, everywhere?

Indian CG norms are quiet robust . The compliance standards of the Western corporate world is more robust and stringent. The challenge is compliances as per the law of the land.

However, CG would be non-existent or weak in Government owned companies in certain geographies or in non – democratic countries.

10. Is the implementation of corporate governance norms in your operations abroad any different from India? Could you tell us about any governance challenges you faced while operating abroad?

As mentioned earlier, Governance processes are very robust in democratic countries across the world. The challenge is in Middle East, China , certain African Countries and Eastern Europe. In US , EU , Japan, Canada, Australia , the norms are stringent especially legislation relating to Human Rights, Child labour and Anti – Bribery and Anti-corruption, Environment protection.

11. What reward does good corporate governance reap? What is the nexus between corporate governance and CSR?

Good CG is a passport to good reputation for a company , customer loyalty and stakeholder engagement. In the current context, good CG is a differentiated value proposition to the stakeholders. Responsible corporate behavior attract investments , better valuation and attract talent.

Good Governance pre-supposes aligning core competencies of the company to greater societal good resulting into empowered communities.

12. How and where do risk management and corporate governance converge in India?

Good CG is possible when there is seamless compliance process in the company which can be made possible when a company has a pro-active risk management template.

It is therefore necessary to create " Risk Intelligent " organizations which can create value to stakeholders.

13. Lastly, please share any advice that you would like to give the young budding students regarding self regulation and ethical conduct at work?

I will quote Warren Buffet who advised that when you recruit employees , you have to look at three qualities – Intelligence, Energy and Integrity. If the third quality is missing do not bother to look at the other two!

Technology is a great leveller . The only differentiator in the market place is responsible behavior . In the eyes of the community / citizens , politicians and business have a great trust deficit. The perception of business has to change as organizations are the product of societal eco-system . We have to earn the social license to operate .

Students are future thought leaders who would have to lead . Credibility and Respect has to be earned .This is possible if students develop a moral compass early which should stand them in good stead in their corporate life.

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Rise in Female Corporates at the Top—Reality or Myth?

By: Abhisek Sarangi & Siddhant Balburma, MBA-HRM (2015-17), XIMB, Bhubaneswar

The dearth of the fairer gender at the top echelons of organizations isn't a matter of stagger anymore. This ubiquitous problem has been a constant subject of debate for years, with no definite answer yet. The roots of this problem are so penetrated into the mix of organizations, just hacking the leaves of existing societal norms won't effectuate any change. A turnaround would take place by reorienting mindsets and modifying organizational setups. There is no single reason for shortfall of women at senior-level positions but solutions can be strategized by analyzing those prevalent issues only.

Image source: http://www4.vidowsckon.tk/wall/diversity-in-the-workplace-quotes/

One issue which hurts the most and even harder to rinse is the apparent and outright discrimination.

The discrimination may not just be in the form of overt hostility but patronizing attitude and preference for men over women in the organizational structure. Compelling evidence are the numerous studies which show the significantly higher compensation received by male corporates than female ones. When a woman joins an organization predominantly with a male-driven culture, her values and perspectives may face a predicament whether to adapt or get smothered in the new environment. Is that the answer – women corporate transforming their thought process and approach more like their male counter-parts?

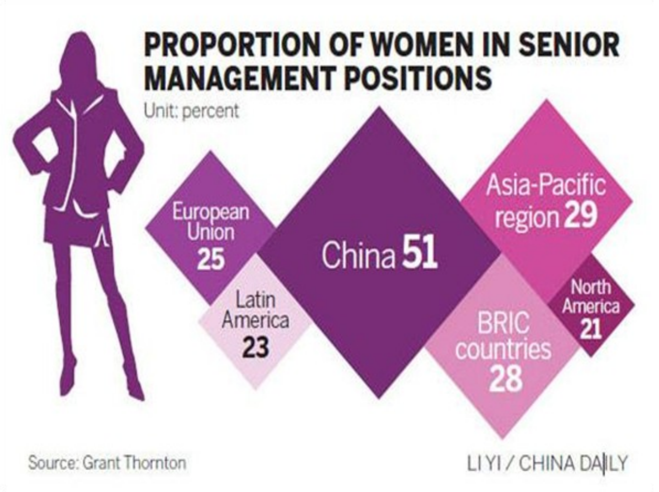

Image source: www.english.cntv.cn

The most obvious challenge for female corporates is the greater struggle for work-life balance. While they are at the peak of their careers in their 30s, they normally have an additional responsibility of childcare.

Thus, they have an obvious detachment from work, which results in a halt in their career growth. After this period, some lose interest in their work due to shifted priorities and some lose the Midas touch which kept them going. Few who return to work take time to re-establish their feet and move on again with the same vigor, ultimately go on to add value proposition like never before.

Another study that is shocking to comprehend is the conservative nature of women corporates towards investment opportunities. They are more risk-reluctant when it comes to high gain, quick fire investment strategies but are more inclined towards long term investments which have less volatile returns. This may be figured as a deep-dyed result of the intricate stature-saving approach of female corporates to keep in terms of the male dominated market structure.

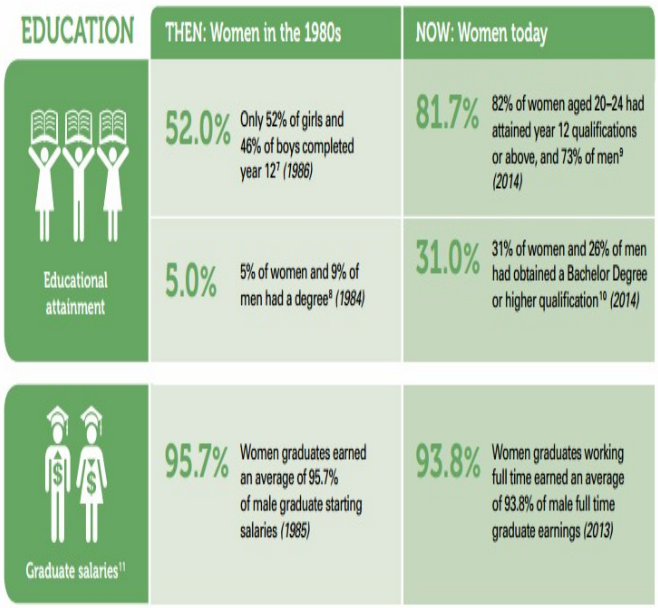

Image source: http://www.thehippocket.com.au/gender-pay-gap-hits-record-high/

One way or the other, it comes down to one dimension – equality and optimistic attitude to bring it on. Countries have started finding measures to enact and policies to implement to take this issue seriously. European countries have a strict quota system with Germany targeting around 30% females in corporate boards by 2016. Countries like the UK and Japan are probing on to bring more female executives onboard by setting target goals and enacting uniform corporate policies throughout the country.

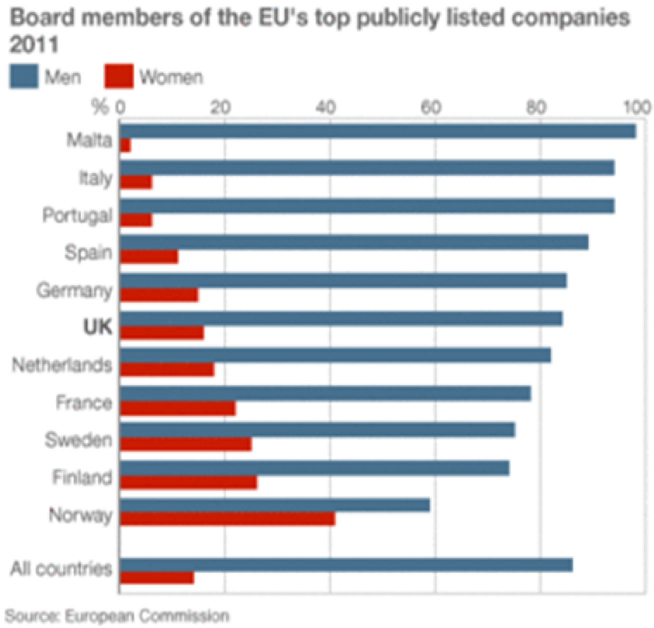

Image source: www.bbc.com/news/uk-18187449

The equity measures can be best initiated in the vertical of remuneration outcomes throughout the organization by first identifying and rectifying areas where women have fallen behind. Then, anomalies and systemic differences in fixed and variable remuneration including those that arise from systemic gender differences in performance ratings, a female's apparent lack of direct experience for a new role despite having won the role over a more experienced male due to her other more pertinent attributes and competencies for the role, the undervaluing of some roles - in particular 'feminized' roles, lack of visibility or transparency about what will be rewarded and differences in the relational access of women to male decision-makers.

Yes, policies are guidelines for decision making – routine, repetitive and recurrent in nature. When these guidelines are practiced in modified terms of better women representation, people would get used to it out of compulsion, which would have its own repercussions. Some would eye this with a conviction for change, some with patronizing attitude and some with even more hostility. Thinking policy changes would change the scenario for good is just a mirage, scratching the surface of this all-pervasive issue.

For increasing the number of women at top management levels, we have to think beyond policies into more concrete layers of an organization – its structure and culture. A successful organizational structure isn't a recherché these days, going with the prescriptive and normative approaches organizations follow.

But a successful structure with equal female representation calls for a circuitous planning regime. This kind of structure requires empowering women at every level by involving them in decision making processes. For assessing every task allocated at every level, potential conversion attitude should be rated in equivalent to exhibited performance. For example, if a female corporate is a good performer - still not better than other male corporates - but has the relevant work attitude and leadership strand of DNA, then transforming her into a leadership role would lead to a more settled structure. This kind of plan can be executed by priority-garrisoned-competency based interviewing. This kind of interview gives few competencies like leadership and team player attitude primacy and other competencies flexibility.

But there is a fine line between equality and favoritism. The organizations shouldn't recruit and promote female corporates just because they are female. Rather than increasing women, priority must be to increase competent women at top management positions.

The ruling theme though comes crashing down in the form of a distorted organizational structure. The strands of legacy passed on through generations by norms, practices and values are hard to metamorphosize with a single stroke of policy change. The culture which treats female corporates the way it does, would take twice the time to extricate the existing one and re-establish a new one. That's where the most possible advantage boasts in the form of startups. These potential MNCs have the distinct authority of hiring the people with a broader sense of comprehension and apprehension of the issue and starting an organizational culture feasible for career growth of female corporates. Judging by the meteoric rise in the number and quality of startups and few years from now, when these startups would constitute a substantial share of global market, they may recast the scenario of this flawed setup.

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Corporate Frauds: Inefficiency of Corporate Governance

By: Anurag Das & Saransh Mahajan, PGDM (2015-17), XLRI, Jamshedpur

Introduction:

In the light of the growing number of scams, accounting scandals, massaging of books, misuse and misappropriation of public money, the importance of Corporate Governance can't be overstressed. Formation and proper functioning of Corporate Governance body abiding by international rules and regulations has become of quintessential importance today as survival and success in global market can be ensured only via foreign investment, foreign customers: simply in a word by going global.

Image source:
http://www.qbitvortex.com/index.php/mcorporategovernance

Corporate Governance is the way a corporation polices itself. It intends to increase the accountability, transparency and efficiency of the management and advocates adoption of consumer and environment friendly business practices. It encompasses the board of directors and various stakeholders namely Employees, Investors, Customers, Suppliers, Creditors and its goals broadly include :

(1) Keeping the interest of stakeholders in mind,

(2) Treating Shareholders equally

(3) Ensuring Transparency & Ethical Behaviors

(4) Lowering Risk &

(5) Safeguarding the public image of the company.

We begin by discussing a few infamous events that eventually led to Corporate Governance taking the center stage and thereby forever altering the dynamics in which businesses work.

The Enron Corporate Fraud

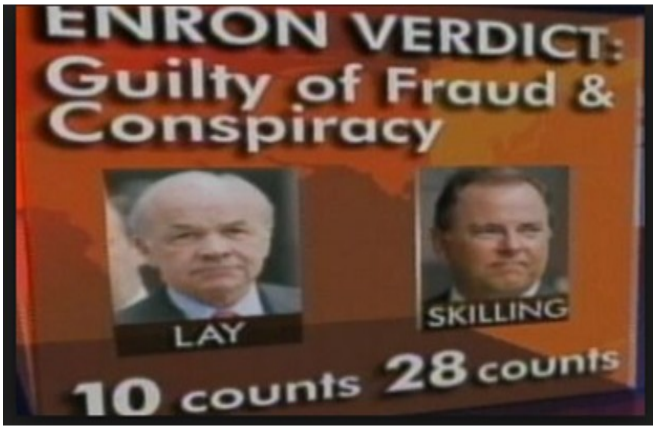

Image source:
https://www.google.co.in/search?q=enron+corporate+fraud+case&espv=2&biw=1366&bih=623&source=lnms&tbm=isch&sa=X&ved=0ahUKEwj12e

Enron Corporation was an Energy, Commodity and Service Company based in Houston, Texas, USA. In the year 2000, Enron employed 61,000, operated in over 40 countries, and reported revenues of $101 billion, and was ranked seventh among Fortune 500 that year. Enron grew from revenues of $20 billion in 1997 to $100 billion in 2000 with a tenfold increase in profit of $979 million in 2000.

Enron, however, was involved in a series of fake transactions with dubious limited partnerships, called Special Purpose Entities (SPEs), and created by accounting loopholes and poor financial reporting that led to its filing for bankruptcy in June 2001. In October 2001 Enron was suspected of a massive financial statement fraud; Chairman Kenneth Lay, former President Jeffrey Skilling, and former Chief Financial Officer Andrew Fastow, were accused of shielding debt from public view, and overstating revenues and earnings, thus giving the impression of rapid profit growth.

Enron's corporate ethics failure represents the biggest business bankruptcy ever. It is a stark reminder of the implications of being seduced by charismatic leaders, or more specifically, those who sought excess at the expense of their communities and their employees. In the end, those misplaced morals killed the company while it injured all of those who had gone along for the ride. A lot of people suffered, not the least were the shareholders and pensioners who lost it all.

The Case of Satyam Computer Services Ltd.

Satyam Computer Services, Ltd. was a rising star in the Indian outsourced information technology services industry. The company was formed on June 24, 1987 in Hyderabad, India by B. Ramalinga Raju. The firm began with twenty employees and grew rapidly as a global business.

Satyam proposed on December 16, 2008 that it would spread risk by diversifying into the infrastructure and real estate business by acquiring two family-run firms: a) a listed Maytas Infra Ltd where the Raju's brothers had a stake of 35%, and b) an unlisted Maytas Properties Ltd where the family ownership was about 36%. The spontaneous and immediate uproar of Satyam investors against the proposal led the board to call it off in 2009.

Very shortly, Satyam shares plunged 55% in trading on the NYSE. Subsequently, B. Ramalinga Raju, Satyam Chairman, revealed that, especially in the wake of the dot.com bubble bust and subsequent loss of IT business from several Fortune 500 companies, the company had been reporting inflated profits, understating debts, and doctoring other financial parameters to fight its market share erosion vis a vis domestic competitors. The case of Satyam is an example of negligence of fiduciary duties, total collapse of ethical standards and lack of social responsibilities.

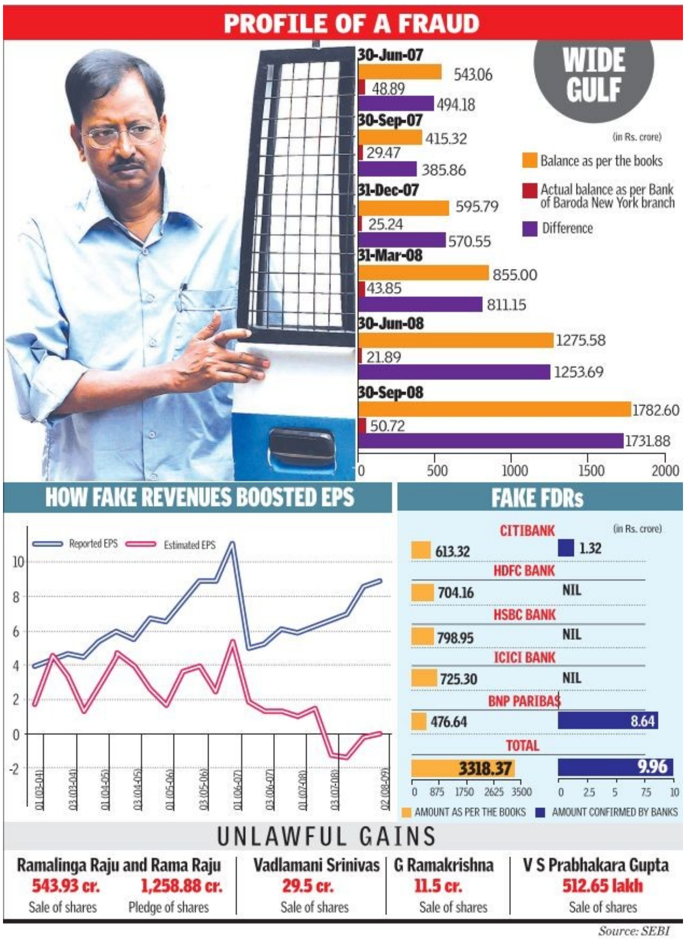

Image source:
http://www.thehindubusinessline.com/companies/pursuing-

This led to the closure of the company and job-loss to thousands of employees and money-loss to several groups of internal and external stake-holders. It has demonstrated that even highly credible, qualified, and educated persons are no insurance for corporate governance, that they are no watchdogs of the minority shareholders whose interests they are supposed to serve.

Inappropriate Accounting Case of Toshiba

A latest addition to high profile Corporate Governance scandals in Japan after Olympus case in 2011 came to limelight on July 20, 2015 where a third party investigative report talked about a systematic overstatement of operating profits of $1.2 Billion over the past six years.

Image source: http://www.express.co.uk/finance/city/592683/Toshiba-boss-resigns-accounting-scandal-falsely-boosted-profits-770m

Aggressive profit targets were set and fraudulent accounting methods were extensively misused to keep the books balanced. The audit committee failed to function with sufficient independence and at the outbreak of the news of this inappropriate accounting scandal all the honchos resigned. It seems Toshiba's move to adopt American Style corporate governance culture based on modified "Hybrid" board Committee system and build an effective independent Corporate Governance body via leveraging the "Best of both worlds" failed miserably.

Conclusion:

The outbreak of these massive scandals highlight the fact that a Corporate Governance Code and the Stewardship code can remove these problems perfectly. But the government should continue to focus on corporate governance and the momentum in this direction must be accelerated.

Image source: http://www.miguelgoede.com/master-class-governance

Proper Corporate Governance Code, proper functioning of the same & sensible business steps of top management overall can hinder such fall outs from happening in the future.

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The ABCs of Corporate Governance for a Marketer

By: Neha Abrol, MMS (2014-16), WeSchool, Mumbai

Boards of directors are now facing both scrutiny and a growing set of issues to contend with as corporate governance has been the subject of renewed attention, since the near-death experience of the financial markets in 2008 and 2009. The three principal areas now facing boards and their advisors include Managing the Boards themselves; Managing the Risks that their companies face; and Managing the Growth opportunities. Managing Boards better has been an important concern and has now reached new heights amidst continuing shareholder conflict. Even the scrutiny of board management has grown, spanning issues as varied as a new corporate governance code and even something like gender equality in the boardroom. Managing Risks faced by companies could cover a wide swath of issues in these risky times. Managing Growth is the board's other principal challenge, and M&A activity provides many with the answer. Growth is expected by shareholders and board, even whilst the prior 2 issues encourage an air of caution.

Image Source:
https://www.google.co.in/search?q=corporate+governance+images&espv=2&biw=1366&bih=623&source=lnms&tbm=isch&sa=X&ved=0ahUKEwjD

Seven Characteristics of Good Corporate Governance:

1) Clear Strategy

Good corporate governance starts with a having a crystal clear strategy in place. At each stage, knowing the overall strategy helps the company's workforce stay focused on the organizational mission which will always primarily be meeting the expectations of the consumers.

2) Effective Risk Management

It's vital to implement effective strategic risk management be it in the form of diversification, expansion or asset building.

3) Discipline

Good corporate governance requires having the discipline and commitment to implement policies, resolutions and strategies since if not implemented properly it is a failed attempt.

4) Fairness

Customers and employees both must be treated fairly for ethical reasons as well as to not get damaging PR.

5) Transparency

Transparency helps unify an organization. Transparency is important to the employees since knowing a company's ultimate objective keeps them motivated and also to the public who tend not to trust secretive corporations.

6) Social Responsibility

Good corporate governance identifies ways to improve company practices and also promotes social good by reinvesting in the local community.

Image Source: http://www.anao.gov.au/html/Files/BPG%20HTML/2013%202014/Public

7) Self-Evaluation

The key is to perform regular self-evaluations to identify and mitigate brewing problems. Hiring outside consultants to analyze your operations also can help identify ways to improve your company's efficiency.

Increasingly, emerging markets are becoming important engines of global growth. Many have become the focus of the investment community and the average investor. In emerging markets better governance and firm market value and performance are now said to be connected. Additionally, there are also studies that explore whether the investment decisions of foreign investors are connected to governance concerns, and how these investors may change the governance and performance of the firms in which they invest.

Marketing Governance

Marketing has the unenviable reputation as the line of business that is not held accountable for achieving specific, measurable, bottom-line results. But nowhere is Marketing looked onto as a serious domain but always as a cost centre though it is definitely the sector responsible for getting in the revenues since it creates awareness amongst the customers about the company. the main cause is the absence of a Marketing Governance function in most organizations. The lack of structure has leads to decreased confidence among senior level executives and also in reduced budgets.

Marketing Governance is a structure of processes, procedures, and policies used to optimize the management of Marketing functions. It helps to align the business strategy with that of marketing. Quantifiable metrics are established which also lead to an increase in accountability as well as helps establish a set framework for the decision making process.

Steps to adopt Marketing Governance:

- Realize the value of Marketing Governance
- Determine organization's current maturity level
- Establish complete agreement from the senior management team
- Build cross-functional enthusiastic committee of executives
- Schedule quarterly conferences
- Set goals & objectives for improving Marketing Governance
- Determine how marketing results will be measured
- Assign action items to the appropriate attendees
- Manage allocated responsibilities on a proactive basis
- Conduct next meeting to track achievement of objectives

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The Bullwhip Effect - Information Distortion in Supply Chain

By: Ani Mehrotra & Swarnim Srivastava, PGP - Global BM (2015-17), XLRI, Jamshedpur

INTRODUCTION

Not long ago, logistics executives at Procter & Gamble (P&G) examined the order patterns for one of their best-selling products, Pampers. Its sales at retail stores were fluctuating, but the variabilities were certainly not excessive. However, as they examined the distributors' orders, the executives were surprised by the degree of variability. When they looked at P&G's orders of materials to their suppliers, such as 3M, they discovered that the swings were even greater. At first glance, the variabilities did not make sense. While the consumers, in this case, the babies, consumed diapers at a steady rate, the demand order variabilities in the supply chain were amplified as they moved up the supply chain.

Figure 1 Increasing Variability of Orders up the Supply Chain

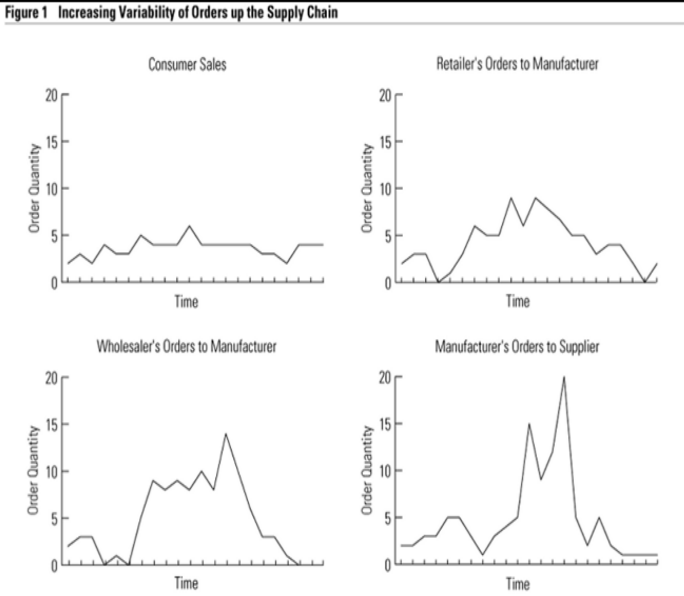

Image Source: MIT Sloan Management Review Online

The above scenario was a real-life implication of what is known as Bullwhip Effect or Whiplash Effect. It is the phenomenon in supply chains whereby ordering patterns experience increasing variance as you proceed upstream in the chain.

Research indicates a fluctuation in point-of-sale demand of +/- five percent will be interpreted by supply chain participants as a change in demand of up to +/- forty percent.

ORIGIN

The concept first appeared in Jay Forrester's Industrial Dynamics (1961) and thus it is also known as the Forrester effect. The bullwhip effect was named for the way the amplitude of a whip increases down its length. The further from the originating signal, the greater the distortion of the wave pattern. In a similar manner, forecast accuracy decreases as move upstream along the supply chain.

In the 1990s, Hau Lee, a Professor of Engineering and Management Science at Stanford University, helped incorporate the concept into supply chain vernacular using a story about Volvo. Suffering a glut in green cars, sales and marketing developed a program to move the excess inventory. While successful in generating the desired market pull, manufacturing didn't know about the promotional plans. Instead, they read the increase in sales as an indication of growing demand for green cars and ramped up production.

CAUSES

Four major causes of the bullwhip effect have been identified:

A. Demand Forecast Updating

When a downstream operation places an order, the upstream manager processes that piece of information as a signal about future product demand. Based on this signal, the upstream manager readjusts his or her demand forecasts and, in turn, the orders placed with the suppliers of the upstream operation. Demand signal processing is a major contributor to the bullwhip effect.

The future demands and the associated safety stocks are updated using the exponential smoothing technique. With long lead times, it is not uncommon to have weeks of safety stocks. The result is that the fluctuations in the order quantities over time can be much greater than those in the demand data.

B. Order Batching

Order batching occurs when an organization accumulates larger orders before processing them in an effort to reduce costs and create transportation economics. They may also wait to place larger orders to benefit from lower prices offered during a promotion.

C. Price Fluctuation

Estimates indicate that 80 percent of the transactions between manufacturers and distributors in the grocery industry were made in a "forward buy" arrangement in which items were bought in advance of requirements, usually because of a manufacturer's attractive price offer.

When a product's price is low (through direct discount or promotional schemes), a customer buys in bigger quantities than needed.

When the product's price returns to normal, the customer stops buying until it has depleted its inventory. As a result, the customer's buying pattern does not reflect its consumption pattern, and the variation of the buying quantities is much bigger than the variation of the consumption rate — the bullwhip effect.

The irony is that these variations are induced by price fluctuations that the manufacturers and the distributors set up themselves. It's no wonder that such a practice was called "the dumbest marketing ploy ever."

D. Shortage Gaming

Shortage gaming occurs when customers purchase more than they need during periods of short supply. This seeming overreaction by customers anticipating shortages results when organizations and individuals make sound, rational economic decisions and "game" the potential rationing.

The effect of "gaming" is that customers' orders give the supplier little information on the product's real demand, a particularly vexing problem for manufacturers in a product's early stages. The gaming practice is very common. In the 1980s, on several occasions, the computer industry perceived a shortage of DRAM chips. Orders shot up, not because of an increase in consumption, but because of anticipation. Customers place duplicate orders with multiple suppliers and buy from the first one that can deliver, and then cancel all other duplicate orders.

Customers also can bring about the effect by taking advantage of liberal return policies. This can make accurate demand forecasts difficult.

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COUNTERMEASURES

A. Countermeasures to Demand Forecast Inaccuracies

Lack of demand visibility can be addressed by providing access to point of sale (POS) data. Single control of replenishment or Vendor Managed Inventory (VMI) can overcome exaggerated demand forecasts. Long lead times should be reduced where economically advantageous.

B. Countermeasures to Order Batching

High order cost is countered with Electronic Data Interchange (EDI) and computer-aided ordering (CAO). Full truckload economics is countered with third-party logistics and assorted truckloads. Random or correlated ordering is countered with regular delivery appointments. More frequent ordering results in smaller orders and smaller variance. However, when an entity orders more often, it will not see a reduction in its own demand variance - the reduction is seen by the upstream entities. Also, when an entity orders more frequently, its required safety stock may increase or decrease; see the standard loss function in the Inventory Management section.

C. Countermeasures to Fluctuating Prices

High-low pricing can be replaced with everyday low prices (EDLP). Special purchase contracts can be implemented in order to specify ordering at regular intervals to better synchronize delivery and purchase.

D. Countermeasures to Shortage Gaming

Proportional rationing schemes are countered by allocating units based on past sales. Ignorance of supply chain conditions can be addressed by sharing capacity and supply information. Unrestricted ordering capability can be addressed by reducing the order size flexibility and implementing capacity reservations. For example, one can reserve a fixed quantity for a given year and specify the quantity of each order shortly before it is needed, as long as the sum of the order quantities equals to the reserved quantity. Free return policies are not addressed easily. Often, such policies simply must be prohibited or limited.

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Corporate Governance

By: Sameera Pisipati & RishabhVarma , MBA (2015-17), SJMSOM, Mumbai

The term "Corporate Governance " has gained prominence in the recent decades, thanks to the string of high profile corporate failures that crippled the economy.

Corporate governance which means dealing with the interaction of business' management and its board of directors, its shareholders and lenders and its other stakeholders such as employees, customers, suppliers, and the community of which it is a part. It is all about balancing individual and societal goals, as well as economic and social goals.

Factors that influence the Corporate Governance are:

Financial structure:

The composition of debt and equity has implications for the quality of governance. Rather than treating as alternative financial instruments, Debt and Equity are mainly considered to be alternative governance structures. Debt governance works mainly out of rules, while equity governance allows much greater discretion. A project will be financed by debt or by equity depends principally on the characteristics of the assets and the Transaction-cost reasoning supports the use of debt to finance the redeployable assets while non-redeployable assets are financed by equity.

Competing theoretical perspectives:

- A democratic perspective suggests that the job of board members is to represent the interests of members of organization
- Principal agent theory has been the dominant theory of corporation and while free markets are seen as the best restraint on managerial discretion , agency theory sees corporate governance arrangements as another means to ensure that management acts in the best interests of shareholders.
- Stewardship theory which is grounded in human relations perspective assumes that general managers want to do a good job and will act as effective stewards of an organization's resources. The main function of the board is not to ensure managerial compliance with shareholders/members interests, but to improve organizational performance.
- Resource dependency theory which views that organizations as interdependent with the environment provides the perspective that board is seen as one means of reducing uncertainty by creating influential links between organizations through for example interlocking directorates.
- Stakeholder theory is based on the premise that organizations should be responsible to a range of groups in society other than just the organization's owners. It is expected that organizations respond to broader social interests by incorporating different stakeholders on board.
- Managerial hegemony theory provides the perspective that board ends up as little more than a 'rubber stamp' for management's decision and power is concentrated only at the top in few hands.

However, understanding of the context under which firms operate is also very important in analyzing the corporate governance structure of a firm.

Corporate Governance failures across the world:

While Enron became the household name synonymous for accounting fraud, there are numerous corporate collapses, accounting scandals, securities fraud across the world, which has increased in last few decades.

"Don't worry if you don't know the rules – we're making it up as we go along ..."

Image source: http://www.cartoonstock.com/

Company and its cause of failure:

Company Name	Cause of Failure
Enron	Inflated earnings
WorldCom	Expenses booked as capital expenditure
Tyco	Looting by CEO, improper share deals
Global Crossing	Inflated corporate profits to defraud investors
Royal Ahold	Earnings overstated
Parmalat	False transaction recorded
Wal-mart	Weakness in internal controls have led to government investigations and class action lawsuits by employees
Xerox	Accelerated revenue recognition

The fall of Lehmann brothers had led to 2008 financial crisis as it has marked the largest bankruptcy in US history. However it was part of crescendo of corporate failures including Fannie Mae, Freddie Mac, AIG, Bear Stearns, General Motors and Merill Lynch which contributed to the economic meltdown.

Some important events that changed the corporate governance era:

1. **Sarbanes - Oxley:** The statute requires companies to have robust internal control systems that can be built into their compliance processes to promote integrity and accuracy within their business operations.
2. **Dodd Frank:** The act has imposed burdens on many companies by requiring more disclosures about annual proxy statements and executive compensation, which has ushered in a new era in corporate governance.
3. **Corporate Social Responsibility:** After BP Deepwater Horizon oil spill,many risk management experts started questioning how seriously companies take social responsibility which paved way for a new type of disclosure known as integrated reporting that connects financial and non-financial reporting together.

While USA leads in Corporate governance failures, India is no less in this regard as we saw numerous securities frauds and corporate scandals especially in the last decade like SATYAM, Ketan Parikh scam, UTI ,SAHARA, SARADA, 2G and the list goes on.

System's inability to separate promoter interests from corporate interests and the close nexus between powerful business families and politicians that ensures policy bents to meet private ends are some of the prominent reasons.

If we look at Sahara fund–raising and Reliance insider trading cases or Satyam scam where the board consists of a Harvard don who is corporate governance specialist and the Dean of one of the India's top B-School, there are emerging questions such as –" Can expertise actually help in avoiding corporate governance failures? What is an optimal level of payment for board members?"

Image source: http://www.cartoonstock.com/

Conclusion:

- In the pyramid of Corporate Governance principles, the most important principle that was broken in nothing but the bottom most - Ethics and Code of conduct. This is what most often lead to corporate behaviour be it management or subordinates, irrespective of country, sector of economy or size of business.
- When payments are too low, you can't get good people. When they are too high, you can't expect independence. You can hope to get independence only when other interest groups find a place on the board – institutional investors, employees, minority shareholders.
- Statutory audit, discipline of the capital market and law securities are factors that influence the process outside the company.

People are more important than processes and so, the company's main goal should be to encourage the diffusion of advanced practices, which lead not only to defend the interests of investors but also to ensure social stability, improving the quality of human capital and promoting authentic values.

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Call for Articles

We invite articles for the December 2015 Issue of Samvad.

The Theme for the next month: December 2015 - “**Climate Risk Management**”

The articles can be from Finance, Marketing, Human Resources, Operations or General Management domains.

Submission Guidelines:

- Word limit: 1000 words or a maximum of 4 pages with relevant images.
- Cover page should include your name, institute name, course details & contact no.
- The references for the images used in the article should be mentioned clearly and explicitly below the images.
- Send in your article in .doc or .docx format, Font size: 12, Font: Constantia, Line spacing: 1.05’ to **samvad.we@gmail.com. Deadline for submission of articles : 29th December, 2015**
- Please name your file as: <YourName>_<title>_<section name e.g. Marketing/Finance>
- Subject line: <YourName>_<Course>_<Year>_<Institute Name>
- Ensure that there is no plagiarism and all references are clearly mentioned.
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Samvad Blog

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