

The Darker Side of Leadership [Power Fraud and Corruption in the New Age]

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*Man is not born to solve the problems of the universe, but to find out what he
has to do; and to restrain himself within the limits of his comprehension.*

Johann Wolfgang von Goethe

Perhaps the above quote best sums up what corporate houses expect the systems of business ethics and corporate governance to deliver. The anti-corruption campaign spearheaded by Anna Hazare and his (at the time) four able lieutenants Arvind Kejriwal, Prashant Bhushan, Ashutosh and Kiran Bedi had demonstrated that the Indian people expected the same from their elected leaders as well. It is a fact of life that values, ethics and integrity lay squarely on the one side and corruption, fraud and deceit occupied the other. The Janus-headed and shame faced politicians in power were exposed. Unfortunately once the movement lost its tempo these very politicians were up to their dirty tricks again as if to avenge their ignominy. However, the questions posed were: (a) Did these people behave in the same way as others when they came to power? (b) Did power go to their head and could there be an implosion? (c) Would they actually be able to give good governance with their present mind-sets of going on a dharna at the drop of a handkerchief? History vouchsafes that all these questions (doubts) have already been adequately answered.

The basic premise on which this long argument's argument is based is three folds:

- (a) Fraud is the result of low level of values and ethics combined with a low level of governance.
- (b) Being the repository and embodiment of corruption, fraud is often emboldened by the absence of a fear of penalty.
- (c) Being an easy way to get power and wealth, fraud is often motivated by the desire to get rich and powerful quickly and subvert rules in the process.

In these pursuits the perpetrators are not alone. There is a fringe mediocrity whose lumpen elements become the *comprador* class that feeds on the machinations of fraud and helps to perpetuate it.

Fraud is then, at any level of society, the direct concern of ethics and points towards the need for good governance. We have also argued that ethics must prevail amongst the citizenry across all levels of society and must be more pronounced amongst its leadership: in academia, professions, government, corporate and NGO sectors. On the other hand, what constitutes good governance is a subjective notion especially in a pluralistic society. If ethics is person-specific, context-specific and culture-specific, and if governance is predicated on ethics then it follows that governance too cannot be all-embracing and absolute. If it were to be all-embracing, then the procedural mind set would flourish and the letter of the law would become more important than its spirit. If it were to be absolute, then innovation and creativity would be blocked. If however

the notion of values, ethics and integrity were to be corrupted, as is alleged in certain quarters, then transparency will be clouded, responsibility will be shunned and the ability to respond to issues will become ineffective and blunted. Arrogance and untruthfulness will become a shield against perceived insecurity. All this fades into the background when the corporate culture is value-centred i.e. when it is both value-based and value-driven. What then is needed to prevent frauds and minimise corruption?

To begin with let us examine and define, in the interest of clarity, eight terms that invariably feature in such a discussion. The first is **trust** which is the ability to depend upon another's word to deliver or perform as promised or expected. The second is **transparency**, which implies an open access to information to those who require it, to fulfil their functions on the one hand and the willingness to subject one's decision-making to scrutiny on the other. The third is **steamwork**, or a well-directed group of people, with divergent skills but convergent aims, who work towards a common goal. The fourth is **accountability**, accompanied by a clear assignment of responsibility for the management of resources, achievement of results and production of desired outcome impacts. The fifth is **delegation**, or the onus of performing a task or a function on behalf of another in a hierarchy. The sixth is **empowerment** or a situation where the actor, because of his knowledge, experience or position has the power to take decisions and execute them in the best interests of the Organization or the team. The seventh is **responsiveness**, or the articulation and aggregation

of interests. Responsiveness is based on the free flow of information and denotes the ability as well as the willingness on the part of an individual to rise to the occasion. The eighth is **core competence**, a term popularised by Hamel and Prahalad that stands for resources, processes, skills and experience (domain knowledge) that provide a competitive advantage.

A little introspection will be enough to convince the reader that none of these eight terms that have been defined above can be achieved and sustained without having values, ethics and governance in their proper place. Yet serious financial improprieties have been the bane of modern society. One only has to scan the daily news argument to see the veracity of the claim.

Fraud is an act of deliberate deception perpetuated with the intention of gaining an unjust advantage and amounts to criminal deception. Whereas frauds that are reported usually affect the common man or the small investor, there are others that have even taken people and countries for a ride. The examples of the case of a man who sold the Eiffel Tower in France and another man who sold the *bungli*, (small residence), where the families stay to pray and mourn the dead for four days in the *Parsi Tower of Silence* in Mumbai. That was cheating, a scam, and a swindle which is only marginally different from a fraud. Scammers and frauds have been a part of society through history and only began to make news headlines when the corporate body became a socially significant institution. Some of the more notable examples follow.

Year	Financial Flascos and Imbroglis in the Past
1920s	Charles Ponzi defrauded thousands in the Postal Coupon scam.
1920s	Albert Fall leased federal oil reserves to two oil companies in return for gifts in the Teapot Dome affair.
19430s	Richard Whitney, the NYSE President was jailed for looting customer accounts.
1950s	Unilever, an Anglo-Dutch MNC, used prisoners of war captured by the Nazis to build the Nordsea Fishing Fleet.
1960s	Alexander Guilema manipulated stocks and was eventually imprisoned for the act.
1960s	Tino de Angelis sold off billions of pounds of non-existent salad oil.
1960s	Billy Sol Estes was involved in a cotton allotment scam and several murders.
1970s	Robert Vesco gained control of IOS, a mutual fund firm run by Bernard Cornfeld, looted it to the tune of \$224 million and fled to Costa Rica.

Frauds surface when either the Fourth Estate becomes very responsible and diligent or when general transparency levels within civil society increase. We

all know that poverty and deprivation often breeds crime. Alternatively, when the rot within civil society gets more entrenched, corruption becomes a way of

life. In the course of developing this treatise we have cursorily treated some of the better-known frauds and imbroglios. According to the *Wall Street Journal* research team, some of the major frauds that shook the world during the first three years of the 21st century were:

- The SEC inquiry into the Enron bankruptcy
- The FBI inquiry into the shredding of important documents by the Enron-Arthur Anderson management.
- The Global Crossing bankruptcy.
- The indictment of Arthur Anderson management by the US Justice Department
- The payment of a \$10 million fine by Xerox for overstating pre-tax income by \$1.4 billion for 4 years
- The investigation of Adelphia's accounting and disclosure practices by the SEC
- The passage of the Accounting Reform Bill in the US by the House of Representatives
- The payment of a \$100 million fine by Merrill Lynch to the State of New York after a probe of its stock analysts
- The arrest of Samuel Waksal, former CEO of Inclone, for insider trading.
- WorldCom's admission that improper accounting had padded earnings by \$3.8 billion
- The indictment of Denis Kozlovski, the former CEO of Tyco, for sales tax evasion

Lest someone should come to the erroneous conclusion that scams take place in the developed world, let it be understood that a powerful media and autonomous and independent institutions enabled these scams to come to light. Students of history know of the impeachment of Warren Hastings during the 18th century. Corruption charges toppled the Macmillan government in UK after the John Profumo affair and spelt doom for many governments in Japan. On the other hand, the greater frauds in countries, such as the Lybia, Central African Republic, Nigeria, Uganda, Pakistan, Chile, Haiti, Liberia, Indonesia and Congo were simply swept under the carpet due to the lack of a powerful media and autonomous institutions. It is well-known that during the four days of the 1987 stock market crash in Hong Kong, trading took place in the grey market. The stock market scams involving Harshad Mehta, HitenDalal and Ketan Parikh, the Telgi fake stamp argument case and the

leaked CAT question argument case are all quite well-known..

Fraud and corruption are closely related, and the exposure of both depends upon an alert political class and a free and powerful media. Whereas corruption though existing was not an open public issue in colonial India, Feroze Gandhi was the first to raise this issue in the HaridasMundhra case. Today, unfortunately it is raised at the drop of a handkerchief and often very rightly so. Full marks are awarded to the young men and women who are ready to pick up the gauntlet and expose those in power. The media should be praised for this as should persons like SuchetaDalal, Barkha Dutt, TarunTejpal and DebashishBasu.

Corruption under peripheral capitalism is legion. In India, where late capitalism of a retarded variety has made its presence felt since 1991, we have had several well publicised scams in the Maharashtra Public Service Commission (*a la*Karnik), fodder (*a la*Laloo Yadav), stamp argument (*a la* Abdul Rahim Telgi), the Enron's Dhabhol plant (*a la* successive governments), Churhat lotteries (*a la* Arjun Singh) and the mother of all controversies, the Bofors saga (which at last has been given a legal burial in 2006 but was resurrected by events in Argentina in 2007). The last of these national level scams just refuses to die and like Dracula raises its ugly head from time to time –the last time being in 2011.

The revelations relating to the Bofors scam began to emerge in 1987, when V P Singh, who was the Finance Minister in the Government headed by Rajiv Gandhi, quit and launched a crusade against the prime minister over the Bofors gun deal. The Indian army needed better fire power, which governmental bureaucracy had somehow denied it. The 155-mm howitzers were purchased to supplement the army's much needed artillery modernisation program and subsequent use of the same weaponry has proved that the guns were indeed a boon. That did not lay the controversy to rest. AB Bofors appointed Ottavio Quattrocchi in 1986 as a negotiator for the sale of 400 odd Bofors howitzer guns. The CBI claimed that a firm owned by Quattrocchi received \$7 million in kickbacks. The CBI, thereafter, also charge sheeted the Hinduja's for allegedly receiving 81 million Swedish kroners in the same deal. Subsequent Court decisions were to prove this statement to be questionable. Win Chadha, the former agent of Bofors, was also accused of getting kickbacks. The then head of Bofors, actually kept a diary that was seized by the police and leaked to the press. References to Nero and GPH in that diary

remained intriguing. Arun Shourie, editor of the Indian Express, aggressively covered the scandal in the print media making more trouble for Rajiv Gandhi. Thereafter in 1989, the Congress Party lost the General Elections because Rajiv Gandhi and his government were accused of getting the alleged Rs. 64 crores as kickbacks for the purchase of 155-mm howitzers. On May 21, 1991 Rajiv Gandhi was assassinated and the Delhi High Court exonerated him of any involvement in the scandal. Thereafter, the Opposition made quite a hullabaloo about Sonia Gandhi's foreign origin and her alleged ties with the middleman Ottavio Quattrocchi and although nothing was proved, the electorate remained unconvinced.

In the meantime, V P Singh retired from active politics, Arun Shourie became a Member of the Rajya Sabha, nothing was proved against the Hinduja in the Delhi High Court, Quattrocchi has evaded extradition to India to face trial, Win Chadha died of cardiac arrest in 2001 and Martin Ardbo died of cancer in 2004. The names of many people were linked to the scam over a period of time. In the midst of the controversy in 2006 over the unfreezing of Quattrocchi's London bank accounts, which happened because the Delhi High Court exoneration of the Hinduja brothers was misinterpreted, Sonia Gandhi remained silent and claimed to know nothing. On the other hand, Quattrocchi maintains that the Gandhi family continues to be very close to him. In February 2007, Quattrocchi was arrested in Argentina in response to a red corner alert put out by Interpol. He secured bail on the very day the news of his arrest broke in India, to the embarrassment of the Congress Party. National level ethics and governance seem to be conspicuous by their absence at such times.

Similarly, a series of scams surfaced in January 2006 when the SEBI Chief M Damodaran took a proactive decision to bring to book irregularities in initial public offerings (IPO), and when the Reserve Bank of India acted its part as a banking regulator to bring some banks under its scanner. These banks are Bharat Overseas Bank, Citi Bank, ICICI Bank, Standard Chartered Bank, Indian Overseas Bank, HDFC Bank and Vijaya Bank. These banks were booked for violating RBI regulations on 'Know Your Customer' (KYC) norms. Imprudent banking practices and facilitating misuse of IPO finance to ineligible borrowers have attracted the ire of both the RBI and SEBI. Despite instructions to the contrary, banks had credited the proceeds of individual payee refund orders into the accounts of brokers, instead of crediting the proceeds to the individual accounts, on

the requests of associates of DP providers. Strictures and penalties are expected to follow.

More recently we have seen the Spectrum 2-G imbroglio, the Commonwealth Games fiasco and Adarsh Society fraud that involved powerful personalities across the social milieu. What can be said of a Minister or Senior Civil Servant whose scions use the red beacon on their official cars even for going on field trips and parties? Does this imply a greater transparency in Indian civil society, an increasingly powerful media or a manifestation of a retarded peripheral capitalism?

However, as positive social scientists, we proffer that at least one of these possibilities could arise whenever such delays take place in bringing facts to light:

- The governance mechanism has failed and the interested parties have either pressurised or bought off the adjudicating / investigating authority.
- The full facts have not come to surface as vested interests have prevented them from becoming public or influenced the investigating agencies so that the terms of reference are either skewed or too narrow.
- The matter has been tried by the media before the courts have passed judgement thereby colouring the facts substantially.
- There is no case to be made out whatsoever and political scores are being settled at somebody's expense.

In response to an inquiry conducted by Jayashree in 2004-2005 and later by Jayashree and her team in Pune during 2006-07 the following matrix of behaviour and general feeling was brought forth to explain what role ethics and governance play in the understanding of corporate frauds.

Jayashree plotted social response against Ethics on the vertical axis and against Governance on the horizontal axis marked low to high as shown below.

Ethics	GOVERNANCE		
		Low	High
	High	Conflict	Liberty
	Low	License	Bureaucracy

Figure 15: When ethics is high but governance is low, expect social conflict, whereas when both ethics and governance are low, expect license. Where both the ethical sense and governance are high, liberty can

prevail, whereas in societies where the ethical sense is low, but the government is powerful, expect bureaucracy to prevail.

The authors plotted social response against Ethics on the vertical axis and Governance on the horizontal axis marked low to high as shown above.

- In the quadrant named **Conflict**, ethics was high but governance was low, creating a sense of frustration, stress and conflict of interest.
- In the quadrant named **Liberty**, ethics was high and so was governance, giving rise to accountability and transparency.
- In the quadrant named **License**, ethics and governance were both low, leading to the rule of the jungle, with high scores on corruption and oppression.
- In the quadrant named **Bureaucracy**, ethics was low but governance was high, giving rise to rule-bound and rule-driven activity where the role of executive creativity was minimal.

Needless to add this typology is valid for democratically ruled socio-political societies. It is perhaps a valid point to make that democracy cannot flourish on an empty mind and an empty stomach. India too has a fair amount of both ills. Dadabhai Naoroji the political guru of Mohandas Gandhi had recognised this and come up with the Bombay Plan to address this malaise. Furthermore, a certain level of equality, education and development, along with the accompanying level of consciousness, is a necessary precondition, as Shapurji Saklatvala, Subhash Chandra Bose and Yusuf Meher Ali declared in the first quarter of the 20th century. A proactive, fearless and socially conscious media or a more transparent system prevents facts from being conveniently swept under the carpet. For instance, the Voice of America highlighted Gandhiji's call and the role played both by Franklin Roosevelt and Joseph Stalin in placing pressure on Britain to decolonise India cannot be forgotten.

Economic Compulsions

Against the above backdrop it may be quite interesting for the student of ethics to recall the famous lines from Ayn Rand's book *Atlas Shrugged* when she defines morality thus:

*Judgement to distinguish right and wrong,
vision to see the truth, courage to act upon it,
dedication to that which is good, integrity to
stand by the good at any price...*

Many CEOs are unable to 'stand by the good' because they fear revelations being made about their personal lives or the company's business methods. This fear leads them to depend upon yes-men or women, who then ensure that any colleagues who try to do a professional job are penalised. The price of betrayal has risen far more than the original thirty pieces of silver, yet such people exist and thrive in Organizations. They enjoy the patronage of those at the top who feel insecure for one reason or another. Economic historians looking at cases of fraud, for instance, will not fail to spot the unholy trinity of a former Prime Minister and a noted god man in the dubious company of the Chairman of Usha Ispat, named in a number of corporate frauds including the IDBI Bank.

There is a belief that fraud and financial crimes are committed for economic reasons, namely economic inequality. Economic welfare then becomes the crux of the problem as A C Pigou (1932) had alluded to. Perhaps there may be some truth in this belief, but the poor are not involved in scams and schemes to defraud banks and financial institutions, nor do they play the stock market and cheat investors. It is the lumpen elements in the middle class that are involved in schemes and the lumpen elements in the upper classes that are involved in scams. However, it is true that social and economic inequality breeds discontent and lead to crime. Beteille (1965) Sen (1992) and Abel-Smith and Townsend (1995) have looked at the issue of inequality from different angles and yet converged upon the idea that it is a social ill that needs urgent attention.

Global Inequality

Not with standing the prognosis of Sundaram and Tendulkar (2003), economic inequalities have grown. However, keeping in view the growth in the comprador class, Sadri has disputed the thesis that the trickle down effect takes place in the developing world. Inequality in wealth, incomes and opportunities has been the bane of macroeconomists. Experts on growth theory have dealt with the issues in their own way. Names that stand out are those of Pigou, Tinbergen, Myrdal, Bauer, Myint, Sen, and Baran. Even liberal sociologists like Dahrendorf, Abel-Smith, Rex and Townsend have questioned the benefits of capitalist growth.

Inequality, according to Marxists, is the *sine qua non* of capitalism but inequality cannot be correlated with fraud. Inequality of manufacturing pay computed by

the University of Texas Inequality project formed the UNIDO 2000 edition of Industrial Statistics and contained calculations of averages over 1963 – 1997; countries were ranked into six quadrants as in the figure below. Note the high coverage and geographic consistency of inequality patterns in the OECD and across the developing regions. Data for Russia are from the post-Soviet period only; those for China start in 1979. Data for the Czech Republic, Slovakia, and the post-Yugoslav states begin with the formation of those states in the 1990s.

Urban theft, extortion, murder for money, underworld activities and a sordid night life are the lot of the unemployed, who are used by bigger players as pawns. These crimes may happen in all countries, including those where the inequality index is low, but the temptation to commit such crimes is higher where inequality levels are high. Crime must have existed in the Soviet Union, but did not manifest itself as blatantly and in such varied forms as it has since the disintegration of the USSR. Socialism is still promising and crime levels are low in both Cuba and China. Crime in Eastern Europe has risen because the assurance of low-quality food, shelter, education and clothing has been replaced by high unemployment levels and the absence of state social security.

US promises to help end economic inequality rarely keep up with US policy. For example, the Bush Administration in the early 2000s signed a pledge called the Monterrey Consensus. According to this Consensus, concrete steps were to be taken to make 0.7% of the US national income available to the world's poor. However, in 2004-05 only 0.15% of the National Income was so earmarked.

It is important for students to understand the Monterrey Consensus to grasp our argument. It was reached at the March 2002 International Conference on Financing for Development in Monterrey, Mexico, and reaffirmed at the World Summit on Sustainable Development in Johannesburg in August 2002. It created a new development partnership based on mutual accountability between developed and developing countries and a new global commitment to achieve real improvements in growth and global poverty reduction, as expressed in the Millennium Development Goals (MDGs), with mechanisms for monitoring progress and the actions of all parties. It recognised that country-owned development strategies based on good governance and sound policies and institutions must be the starting point; that trade is a key source of growth for all countries and developing countries need better access to global

markets, with the WTO Development Agenda agreed in Doha in 2001 marking an important step forward; and that development partners need to harmonise their policies, operations and practices to support national strategies and plans, and to do so with substantial increases in resources — from both private and official sources — if the MDGs are to be met. There have been several recent and welcome announcements of such increases, but there is much still to do. It was also recognised at Monterrey that developing countries need to build capacity, to strengthen key institutions needed for development; focus on results in development, and monitor progress and actions; and be widely represented and heard in international institutions. But, reality does not match expectations as was witnessed both at Doha and at Cancun.

It is a matter of time before socialism with a human face and a welfare slant returns in Eastern Europe. People are increasingly alienated from the means of production, anomie is rife in civil society and organised crime and urban violence is on the increase. Religious fanatics have stepped in and foreign-state-sponsored fundamentalism is on the rise. This fundamentalism is based on and supported by funds from the drug trade and the flesh trade, extortion and misuse of grants. Under absolute monarchies, military dictatorships and religious oligarchies, terrorism flourishes due to state patronage, since the state is retarded both in terms of social consciousness and a sense of history.

One way of distracting peoples' minds from the real problems at home is to encourage religious or political fundamentalists to launch attacks on the civil society of a democracy. When there is a terrorist incident, civil society is polarised and biased reportage adds fuel to fire. People are ruled by the heart and not the head. That is just what happens when a strong national ethic is absent. Alternatively, when the rule by law has replaced the rule of law, people are tempted to circumvent procedures and practices to make a quick buck. If key members of the civil service, the government, the police and the underworld connive in a swindle, the law of the land cannot deliver justice, since it has already been emasculated.

There are various incidents, such as G R Khairnar's action in demolishing roadside shrines used as godowns for smuggled goods and as contact points for the underworld, where the vested interests that were threatened moved the courts to intervene. The cases of Tarun Tejpal, who was hounded by the law to protect allegedly corrupt bureaucrats and politicians,

or Arun Bhatia, against whom the politicians conspired so that the people he tried to serve turned against him, are well known. Other cases include the resignation of Admiral Vishnu Bhagwat, and the Navy War Room leak. The unfolding of the Telgi fake stamp argument scam is yet to take its toll, although several well-placed heads have already rolled.

We also know that the level of corruption rises to keep pace with the level of inequality, so it is not surprising to see so much corruption in India. Unless the State plays a more proactive and interventionist role, the free markets will spell doom for the poor. The failure of the recent Cancun talks is not a victory for the interventionist economics at WTO and the developing countries. It only shows that agricultural pricing and output will not be regulated except by the power of the market, which squarely resides with the developed world. The exploitative nature of oligopolies has been well documented.

A glance at the statistics below will demonstrate that India prides itself on its low inflation, (below 6% per annum); it remains silent about unemployment levels that are rising past the danger point. We have a burgeoning information technology sector and a relatively shrinking manufacturing sector, except for a few big players. If technology is merely an enabler, how and what will the information technology enable? Can the services sector pull up an economy in the absence of a strong manufacturing and agricultural base? This is what the RBI has failed to effectively address. India with its 1.2 billion plus people features in list number five, a notch above those countries with the highest levels of inequality. The poor are in a way subsidising the middle class by providing domestic help and subsidising the business classes by providing cheap labour especially in the construction industry. The super rich deal in real estate under the guise of promoting education.

Within democracies that flourish under retarded peripheral capitalism, it is a truism that the rich donate funds to political parties to buy the votes from the poor. In this manner, they are facilitating the politicians who survive on the ill-informed and illiterate slum dwellers. Perhaps it is in the class interest of these people to retain the slums since they not only provide cheap labour but also cheap votes for a democracy where money, muscle and manipulation play a dominant role. There is indeed a rise in urban crime rates since unemployment rates have also shot up, anomie plagues civil society, and there is no social security system. What little security

was hitherto provided has been destroyed with the emergence of nuclear families and the withering away of joint families. Along with this is the rise in levels of exploitation, domestic violence and crimes against women and children. Anomie within society on a large scale is visible and escapist routes are found through drugs, prostitution, cheap thrills, cinema and a sordid nightlife. We are not trying to moralize—this is a sociological argument.

Against this background, a stark statistic stares us in the face: 3% of government spending is on education and 5% of employable labour is skilled. The poor are doomed to despair for lack of jobs and the lack of required skills to create jobs for themselves. Venture capital is for the rich and not for the needy; the co-operative banks breathe down the necks of the poor peasant but turn a blind eye when middlemen, politicians and industrialists bleed their treasuries dry. The big nationalised banks are far from nimble, and as in the case of IDBI, many are sucked into the quagmire of their own contradictions despite having more than adequate brain, brawn and bastion. The large-scale collapse of co-operative banks in Gujarat in 2002 was a reminder that all was not well with crony capitalism in the periphery.

Now let us look at the sociological fallout of poor education. Falling educational levels among Parsi males, for instance, spurs inter-caste marriages since educated girls do not want to marry relatively poorly educated Parsi males while the clergy along with their epigones ups their ante and calls for more conservatism.

However, this is not the case in other communities, which are exploited by the politically and economically powerful, and also by the religious fundamentalists in their own ranks. For instance, a low educational level among the Muslims leads to lack of employment opportunities and a need for money, which is exploited by anti-national and foreign-funded *jihadi* outfits. Muslims play the minority card when it suits them to cover low levels of education amongst the youth. Religious conversions are high amongst the economically backward, (as was seen with Christian conversions in Orissa and Buddhist conversions in Maharashtra) and those involved in terrorism at its lowest levels are young men and women with little education, no employment and an exposure to fundamentalist religious or political ideology (as in Kashmir and Chattisgarh).

On a more logical plain, we affirm that in a truly secular society the words majority community and minority community are illogical, irreverent and potentially subversive. If we wish to develop then these terms must be dropped from our political and social vocabulary. The ideological left is clear about its position on secularism and its stand has been historically vindicated. But the centrist and small / regional parties play the caste, religion and region card with impunity and no pangs of conscience to get

votes. Religious freedom means the right to practice and preach. But it does not cover forced conversions or the use of money or other allurements to gather adherents to a religion. Religion is a matter of personal choice and belief. It can be seen only as a bond between mankind and the Vast Immensity that engulfs it. Conversion must arise out of conviction and that in itself requires a high degree of personal awareness and social consciousness. All of this will come to nought unless there is a rise in the quality of human life.

Inequality (Theil Statistics)

1	Least inequality	2		3	
China	0.002510	Canada	0.018428	Gambia	0.037424
Cape Verde	0.002604	Bulgaria	0.019515	Colombia	0.037912
Latvia	0.002916	Italy	0.019734	Burkina Faso	0.038420
Cuba	0.004644	Algeria	0.020126	Azerbaijan	0.038456
Sweden	0.005988	Croatia	0.020982	Costa Rica	0.038469
Czech Republic	0.006639	Nicaragua	0.022988	Portugal	0.039110
Denmark	0.007344	Afghanistan	0.023208	Nigeria	0.040251
Seychelles	0.007539	New Zealand	0.025219	Libya	0.040600
Romania	0.008529	Ireland	0.025589	Turkey	0.040697
Macau	0.009058	Belgium	0.025629	Iran	0.040782
Norway	0.009170	United States	0.025646	Burma	0.041626
Australia	0.009634	Mexico	0.027479	Senegal	0.042025
Finland	0.010957	Iceland	0.028083	Madagascar	0.042821
Germany	0.011076	Bangladesh	0.028631	Cyprus	0.043173
Netherlands	0.011777	South Korea	0.028825	Macedonia	0.043215
Poland	0.012012	Ethiopia	0.029650	Israel	0.044112
Luxembourg	0.013181	Egypt	0.029919	Fiji	0.045027
Hong Kong	0.013624	Bosnia & Herz	0.030966	Ecuador	0.045361
Hungary	0.014684	Iraq	0.031031	North Yemen	0.045504
Slovakia	0.015137	Japan	0.031425	Pakistan	0.045698
Malta	0.015548	Namibia	0.031845	Uruguay	0.045894
Britain	0.015610	Moldavia	0.033788	Argentina	0.048402
Taiwan	0.015858	Spain	0.034413	Sudan	0.048610
Slovenia	0.016014	Malaysia	0.034697	Somalia	0.048952
France	0.016278	Ukraine	0.035561	El Salvador	0.051577
Austria	0.017799	Greece	0.035561	Venezuela	0.051952

4		5		6	<i>Most inequality</i>
Haiti	0.052814	Benin	0.074386	Lesotho	0.105516
Zimbabwe	0.054305	India	0.075959	Belize	0.105935
Botswana	0.055032	Yugoslavia	0.076278	Gabon	0.106911
Sri Lanka	0.056491	Brazil	0.077607	Swaziland	0.106922
Singapore	0.058459	Rwanda	0.078161	Armenia	0.108136
Chile	0.058507	Dominican Rep.	0.079278	South Yemen	0.109596
Russia	0.058517	Tanzania	0.079455	Uganda	0.109652
South Africa	0.058699	Lithuania	0.080079	Oman	0.113724
Zambia	0.061265	Tunisia	0.080430	Ghana	0.118893
Tonga	0.061392	Burundi	0.082687	Puerto Rico	0.121705
Neth. Antilles	0.061593	Jordan	0.082940	Cameroon	0.129300
Philippines	0.061596	Peru	0.082944	Congo	0.136999
Suriname	0.062061	Indonesia	0.084083	Trinidad & Tobago	0.145823
Panama	0.062894	Kyrgyzstan	0.085131	Mozambique	0.149679
Barbados	0.063116	Liberia	0.085607	Saudi Arabia	0.184693
Ivory Coast	0.064147	Morocco	0.085982	Niger	0.188703
Syria	0.065215	Kenya	0.086183	St. Vincent & Grenada	0.194245
Cen. African Rep.	0.066105	Togo	0.086519	Angola	0.201428
Bolivia	0.066374	Papua N. Guinea	0.086716	Cambodia	0.206362
Nepal	0.068082	Honduras	0.086866	Kuwait	0.230317
Am. Somoa	0.069093	Equatorial. Guinea	0.089228	Sierra Leon	0.253880
U. Arab. Emir.	0.069918	Mauritania	0.092261	Jamaica	0.312738
Mauritius	0.071762	Thailand	0.094014	Bahrain	0.403546
Eritrea	0.072629	Bhutan	0.095370	Qatar	0.404105
Albania	0.073632	Malawi	0.095639	Mongolia	0.442336
		Guatemala	0.097286	Paraguay	0.892605
		Bahamas	0.098721		

The Other Side of the Coin

In 1991 our political leaders replaced state capitalism with crony capitalism, albeit both of a retarded variety. Then, segments of the willing media assisted this transition and found the public sector responsible for all our ills and the private sector as the harbinger of economic peace and prosperity. One only has to read the *Times of India*, the *Hindustan Times* and the *Statesman* to understand the true nature of this

capitulation of journalists to free market imperatives. The fact remains that the likes of Tarun Tejpal, Sucheta Dalal, Samar Halankar, George Mathew, Ritu Sarin, and Praful Bidwai are rare. They are also very likely to be victimised. Others in the media whom we can look up to are the men and women in *AajTak* and *NDTV* news channels (both in Hindi and in English) and the journalists of *the Hindu*. On the other hand, the legacy of Girilal Jain and Prem Shankar Jha

is forgotten and Planet M has replaced these stalwarts in the portals of the media on D N Road, Mumbai.

We found that when an individual, Organization or company is ostentatious about its display of corporate wealth, there is a possibility that black money has been used. The Tatas, the Birlas, the Godrejs and the public sector companies, seldom, if ever, make an overtly ostentatious display. An ostentatious display of wealth is accompanied by a passionate plea for the free market *sans* employee welfare. Thorstein Veblen had called it conspicuous consumption. It has become similarly fashionable for corporate leaders to cite the number of sick public sector companies, when until twenty years ago it was the public sector that took over sick private sector units to safeguard employee welfare. It became commonplace for people to allude to Adam Smith in their support for direct foreign investment, little realising that in his *magnum opus* of 1757 Smith has championed the cause of the small trader-entrepreneur and attacked big business. But knowledge of the history of

economic thought does not matter. What matters is how you play the get rich quick game. Now let us examine

the data given below and see how Indian business has fared *vis-à-vis* the lenders. Both Victor Hugo and Fyodor Dostoyevsky had correctly pointed out that while the poor commit theft it is the rich who actually indulge in loot. Given below is an initial list of defaulters that will prove the point.

The *Indian Express* of Sunday 1st December 2002 carried a list of major corporate defaulters alleging that the amount India Inc. owes and will not pay back is Rs. 110,000 crores. These powerful business magnates are quick to plead penury and continue to smoke their Havana cigars, eat their caviar, sip their cognac and pop their champagne. The non-performing assets (NPAs) are mounting. Can corporate governance ratings (CGR) be taken seriously after what happened to UTI and L&T about a year after they were given rich accolades for their performance?

Name of the Company	Total Default In Crores of Rupees
Mardia Group	1,450
Lloyds Group	1,012
Modern Group	846
Parasrampur Group	705
Core Healthcare Group	751
Mafatlal Group	598
Nova Group	527.5
Patheja Group	547
Usha Ispat	391.7
India Charge Chrome Limited	493.3
Altos India	437
J K Group	698
Rajinder Group	620
Mesco Group	527.5
Prakash Industries Limited	360

Parliament had just passed a new law targeting defaulters who had the ability to repay loans but lacked the willingness to do so. It is called the Securitisation and Reconstruction of Financial Assets Enforcement of Security Act. It provides for banks and

financial institutions to confiscate property and other assets in case the defaulters do not pay up. The then Finance Minister, Yashwant Sinha, had then gone on record stating that non-performing assets were not debt but loot. The defaulters, however, were not

interested in paying back the loan, but in exploiting the loopholes in this new law. There was no clear definition of a wilful defaulter; no clear provision for prison sentences, and nothing to restrain a defaulter from acquiring a privatised bank. For instance, when Advocate Kapil Sibal, the Chief Spokesman of the Congress Party, appeared as legal counsel for Mardia Chemicals of Ahmedabad, who had not repaid their huge debt, he argued that the new law should be struck down as being unconstitutional. However, in parliament he had vociferously argued to the contrary and supported the passing of the new law. If good governance practices and a code of ethics were in place this obvious conflict of interest would have been nipped in the bud.

Even the oldest political party in India has come downhill since the days of its inception. If this is the quality of leadership in the polity, one wonders if the economy stands a chance of revival. The rich are usually safe but middle class professionals who take home loans expecting to pay it off, could easily lose their employment under this crony capitalism of a retarded variety, and also lose their homes.

The New Nexus

Fraud is not confined to unethical individuals or financial institutions. In this section we shall take up the question of a nexus between some corporate leaders and the education empires they created. Whatever the reason may be, there are some telltale signs that the astute observer may hone in on. Prominent among these are:

- i. The Organizations are **head less** in that there is no dean or director appointed and the proprietors and their kin run the institutions as if they are operating a feudal fief. Every time an affiliation or governance body is due to visit, an advertisement is placed in the press to show their bona fide intent when every one knows that the recruitment will be delayed to save funds.
- ii. The Organizations are **trunk less** in that the number of deans/ heads/ directors outnumbers the full-time teaching faculty employed and what matters is that you please the boss rather than what you deliver on the educational front. It is possible that the institution is merely a business front, rather than a seat of learning.
- iii. The library and/or the computer laboratory are in bad shape or the engineering college has no workshop and the medical college has no corpses. This is possible since the administration

is **clue less** about the level of backup facilities an educational institution requires and a cock and bull story about developing pangs is successfully dished out to the gullible affiliation and governance bodies.

- iv. The students are everywhere but in the classroom. This is possible when the top management of the institution is **mind less** about what is wrong and could not care two hoots about what it should do about the malaise.
- v. The people who matter are not empowered to take decisions but only to execute the decisions of the trust. That the trust may have an inept person representing it is beside the point. Such institutions either serve the interests of a minority community or a political vested interest. Education suffers, the students do not gain anything but a piece of argument called a degree and the deans and directors are reduced to spineless wonders. Those who own these institutions remain **care less** about what is actually happening.

To be fair, not all privately run institutions are the same. Taking Mumbai and Pune as a representative sample, we can see why some privately postgraduate institutions run can publicly stand up to be counted. At an all India level barring the IITs, IIMs, XLRI, XIMB and NITIE we also have some private institutes, which are known for academic excellence.

Integrity is a necessary attribute expected in engineering, management studies, and medicine and pharmacy professionals. Unfortunately, there is evidence that academic dishonesty is widely prevalent in many Indian medical colleges and that a proportion of students seem to think that there is nothing wrong in participating in such acts. This practice needs to be discouraged as those indulging in unethical acts as students are likely to behave similarly with their patients. It is, therefore, necessary that teachers in educational institutions show 'zero tolerance' for such acts. There is a need for faculty and administrators to be above board in their actions and be role models for ethical behaviour. Hence, acts of academic misconduct committed by faculty and administrators should also be dealt with quickly, fairly and firmly. A milieu of transparency, fairness and student awareness will go a long way in minimizing this pervasive malady. On this score there can be no compromise.

National Level Governance and Ethics

The greatest tragedies in Indian history were that Subhash Chandra Bose and Sardar Vallabhai Patel died too early, while some others of lesser stature died too late and those such as Jayaprakash Narayan and Vinoba Bhave left the field in favour of the mediocre. Presidents of the stature of Rajendra Prasad, Sarvepalli Radhakrishnan and Zakir Hussain were missing from Rashtrapati Bhavan for quite some time. APJ Abdul Kalam, to his credit, tried and succeeded in redeeming the honour of the Presidential Chair. On the one hand, many politicians are embroiled in crime and extortion and on the other, there were the honest, courageous and almost saintly figure of Lal Bahadur Shastri, who being the Prime Minister of India, and died leaving an unpaid car loan! People such as Pheroze Shah Mehta and Ashutosh Mukherjee no longer grace the Bombay Municipal Council or the Calcutta High Court. Aristotle once said that some men are born to rule as others are born into servitude while Xenophon in *the History of our Times*, had proclaimed that people get the government they deserve. Putting the views of these two great Greek scholars together would give a clue on why the state of our country is what it is today. We had once remarked that the problem is that in India we have too much politics in our economics and too little economics in our politics. That is unfortunately our bane!

Even during the colonial period, Rabindranath Tagore had returned his knighthood after the Jallianwallah Bagh massacre. Many Indians in South-East Asia chose to join the Indian National Army during the Second World War, instead of the St. John's Ambulance Service. It was similarly no mean feat for Ram Manohar Lohia, Sorabji Godrej, Aruna Asaf Ali, Achyutrao Patwardhan and Ushaben Mehta to man the Azad Hind Radio in 1942 during the *Quit India Movement*.

Harshad Mehta, Ketan Parekh and Hiten Dalal are examples of deceit in the Indian financial sector, Suresh Kalmadi, A Raja and Amar Singh in the political sphere while Dawood Ibrahim, Chhota Shakeel, Tiger Memon and Abu Salem are leaders in India's criminal underworld. There is a symbiotic relationship between politicians and criminals. Bollywood has also had a bad experience with extortionists from the underworld, as reported in the press. For instance, civil servants, police officers, politicians and all sorts of middlemen were involved in the Telgi stamp argument scam. The MPSC scam could never have taken place without the involvement

of middlemen, nor perhaps could Pakistani terrorists have gained a foothold in Kashmir without some local support. More recently we have had the Spectrum 2G scam, the Adarsh Housing Society fraud and Commonwealth Games imbroglio. The list is unending.

Four scams stand out in the period 2010 -2015 and since the memory of these is so fresh in our minds thanks to the Indian Press we shall merely mention them and pass on. These are: (a) the cricket match fixing scam; (b) Haryana Karl Marx has written *history repeats itself; on the first occasion it is a tragedy and on the second it is a farce*. But more often than not it is the historians repeating each other.

However, we also have had officers like Arun Bhatia, G R Khairnar, Kiran Bedi, Julius Reiber, Ramanand Jha, Arvind Inamdar and M N Singh who have more than adequately graced their office. Those who made the supreme sacrifice in defending the motherland during the Pakistan sponsored Jihadi Attack on Parliament in New Delhi and Terrorist Attack in Mumbai cannot be forgotten. The elimination of Satyandra Dubey by the Highway Builders Mafia in Bihar, the brutal murder of Safdar Hashmi Hasmi in Delhi and the killing of Chandrasekhar Singh by the political mafia testify that a very high price often has to be paid for being ethical. Lone reformists like Tehmuraz Gabba and Madhur Sinha would have their names written in letters of gold for their supreme sacrifice.

In spite of our glorious and unique civilisation, we see that India features very low on the global inequality index. We have also witnessed corruption and fraud in our daily lives from the point when we admit a child into a good play school to the time that we pay bribes to clerks to release our pension funds on superannuation from our jobs. 'We are certainly not born to solve the problems of the world but only to restrain ourselves within the limits of our comprehension,' as Goethe had said. And for that to happen, we need a very strong national ethic and a good system of socio-political governance in place. Fraud will then become counter-productive and not worth the effort.

The teaching fraternity has to make this possible and they cannot afford to sit on the sidelines. They have the future of the country under their tutelage and history will never forgive their passive role when the moral future of our nation is at stake. They must, above all, shrug off the cloak of mediocrity that they have worn for so long and learn to put their money

where their mouth is. To ask a simple question, how many institutes that have “Management and Research” as a part of the name, actually practice good management and how many even pay lip service to research (let alone practice it). When we had the unique combination of a Gandhian economist-scholar-Prime Minister in Manmohan Singh and an armaments scholar President in Abdul Kalam nothing intellectually significant happened. If the academic fraternity had failed to cash in on this, if those at the helm were lame ducks, and we collectively failed to improve the country’s value system how can we expect history to ever forgive us. There may be another chance if the momentum created by Anna Hazare is kept up but we have our doubts..

For its part too, the civil bureaucracy has to walk its talk and what could be a better example than the government talking of privatisation and globalisation but the bureaucratic civil service dragging its feet and placing impediments in its path? We continue to speak of having a borderless universe and do nothing about the Octroi check post! We speak of a democratically elected Prime Minister who does the bidding of the Party High Command! India is a unique example of dynastic democracy be it in Abdulla’s Kashmir, Sonia’s Delhi, Laloo’s Bihar, Karunanidhi’s Chennai, or Badal’s Punjab. Yet whenever some extra skin is exposed or indiscretion is shown our film censors are rebuked by these very politicians in the name of protecting a national ethic.

Such claims are politically motivated and culturally hollow. To build a national ethic some conditions must be fulfilled. All social ills must be seen in terms of the class interests of the contending parties, rather than in terms of their caste, race or religious interests if an equitable and long-lasting solution has to be found. This must be followed by an increase in the levels of education and a concomitant rise in social consciousness. We cannot have a unified criminal law but a stratified civil law unless the hidden agenda is to divide and rule. Law enforcement, too, must be uniform and devoid of political interference. Exports, too, should be based on economic growth—the economy cannot grow just because we export goods. Rather if we produce enough quality goods exporting them would become easy. One could see glimpses of the Edward Chen - Sorab Sadri debate in Hong Kong during 1990 with the former advocating *export led growth* and the latter pitching in for *growth led export*. Most of these are relatively easy to achieve goals if there is a political will and a value-centred national leadership.

Whatever happens we must go on chipping against the solid marble rock until the hidden beauty of the statue emerges and that is the challenge before succeeding generations if we as a country have to emerge as a world leader and a force to be reckoned with. As a great man once said, to some generations much is given. Of other generations much is expected. This generation of Indians certainly has a rendezvous with destiny. And we are convinced that only a national ethic founded on sound governance can bring it about. For that we need value centred leadership and it should indubitably become the task of educational institutions to provide this. This will enable excellence, and to quote Bijoy Guha, it should move on to ensure business sustainability.

Conclusion

In this long argument we treated the question of corporate fraud in an Organizational setting, thereby taking stock of ethics at the *meso* level. We opined that fraud takes place in societies where ethics and governance are weak. We thereby examined the link between poor ethics and governance with the proliferation of fraud and wondered if a correlation was tenable. We gave our views on national level ethics and governance in the process and to that extent took our argument from the realm of ethics into that of governance. Governance and ethics cannot be separated. Without governance, ethics is abstract philosophy, while without ethics governance is reduced to compliance with the help of regulators and regulations. We argue that if governance has to become effective it should be used as an instrument of development. This is also not possible unless we make sure that governance is founded on ethics and leads to excellence. To help us formulate our argument further and add weight to our beliefs we shall be taking up corporate governance in the next three long arguments.

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