

“AN ANALYSIS ON INNOVATIONS IN BUSINESS AND MANAGEMENT – WITH RESPECT TO THE CORPORATE GOVERNANCE OF INDIAN INDUSTRIES”

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INTRODUCTION:

“The future of any corporation is as good as the value system of the leaders and followers in the organization.” - N.R. Narayan Murthy, Infosys founder.

Thus, the future of any corporation is decided by their core value system. Establishing such value system from the top level to the bottom level management is not so easy. The primary job of the leaders is to create such value system and significant toil of followers is to maintain such value systems and if possible to add some more value to the system.

DEFINITION OF ‘CORPORATE GOVERNANCE’

‘Governance’ refers to the way in which something is governed and to the function of governing. The Corporate Governance refers to the way in which companies are governed and to what purpose. It is concerned with practices and procedures, in which the companies are running to make the best use of available resources, remain focus to achieve the company objective and to maximize the wealth of the shareholders.

The Organization for Economic Co-operation and Development (OECD) has suggested that a corporate governance framework has three main elements:

- It is a set of relationships between the directors of the Company, its shareholders, management and other stakeholders.
- It is a structure through which the objectives of the Company are set and the means of achieving those objectives and monitoring performance is decided.
- It should provide appropriate incentives for the board and management to pursue objectives that are in the interests of the Company and its shareholders.

The Cadbury Commission provided the following definition:-

“Corporate Governance’ is the system by which companies are directed and controlled. Boards of Directors are responsible for the governance of their companies. The shareholders’ role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The

responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meeting."

The UK Corporate Governance Code explained the Corporate Governance as...

...the Purpose of the corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the Company. The Corporate Governance is about what the board of a company does and how it sets the values of the company, and it is to be distinguished from the day – to – day operational management of the company by full-time executives.

ELEMENTS OF GOOD CORPORATE GOVERNANCE

The principles of good corporate governance as per UK corporate governance code are as follows:-

1. Leadership
2. Effectiveness
3. Accountability
4. Remuneration
5. Relations with shareholders

CORPORATE GOVERNANCE IN INDIA:

India is the largest democratic country in the world, which has a number of manufacturing and service-oriented industries. Almost all the companies have the similar type of organization structure. Generally, the Board is responsible for the operations of the business. The board has been authorized by the shareholders to do business on behalf of them and to take decisions which would maximize both wealth as well as profit. Though the board is acting as an agent of the shareholders, the board members cannot involve directly in a day – to – day operations of the business. Therefore, the board delegates its duties to some individuals known as the Managing Director, and/ or the Whole Time Directors.

In most of the organisations, the directors have been classified into Executive and Non – Executive directors. The Non – Executive directors would not come into picture of day – to – day operations whereas the Executive directors are directly responsible for operations of the company. Normally the executive directors have some personal interest in business decisions taken in the board and therefore the corporate governance code suggests that at least half of the board should be non – executive directors. This is to avoid conflict of interest while taking decisions and to protect the interest of the investors.

Non – executive directors are not eligible for remuneration except the sitting fees for attending the board meeting and contributing towards taking strategic decisions, especially in critical situations. The need for the appointment of non–executive directors is that they could bring something new to the businesses.

Thus, the Governance starts from the top management in the composition of the board and it travel through the middle-level management to the end of third level management.

I shall compare the system of governance as similar to the nervous system in our body. The nervous system is connected from the head to the toe which helps the blood to circulate throughout the human body. Likewise, the system of governance should travel throughout the organisation and at all levels of the management.

I have undergone a study and done a brief analysis on how the organisations use the advanced technologies in implementing corporate governance and ensure that they are in line with corporate ethics.

Humans are in nature of making mistakes; a small mistake at any stage in an organisation will impact its overall performance. Therefore automation has been brought in and installed at each stage and at every department level.

There is/are compliance software(s) available in both online as well as offline to ensure that performance of every department in an organization is in line with the Standard Operating Procedure (SOP).

Most of the service sectors are now being automated and all the activities are controlled and monitored by the applications.

It is significant to mention that there are set of components that regulate the activities in the business management of big size of the organisation. EGRCM is such one type of tools from Oracle used to mitigate the risks.

IMPEMENTING AUTOMATION TOOLS IN BUSINESS MANAGEMENT

To govern the company as per applicable compliance(s) and to avoid the risk of losses, it is required to fix controls at each and every end of the process and it may not possible for any organization to effectuate controls just manually and therefore automation control tools have been installed by the organizations.

Most of the Companies are currently using EGRCM (Enterprise Governance Risk Compliance Manager) developed by ORACLE to fix control at each process. EGRCM is a set of components that regulate activities in business-management applications.

In my paper, I had covered about various tools used by modern management considering to eliminate human intervention and to effectuate 100% compliance.

Organizations before developing the framework to implement tools for their various departments, they must first define their risks, in each department as well in the process. It was well said that “well-defined problem is half solved” thus, the management should identify first the risks associated with each department and at each process.

Once the risk is identified then methods to mitigate the risks should be defined. Now, the management use the resource to implement the automated tools, such as control switches.

For instant, the house owners always switch on the motor of sump and checks whether the water tank fills or not. He needs to look after this until the water gets fill over the tank or not. He was wasting his time for the same, by looking on the water tank. so, he then fixed the automatic electronic device, where the machine automatically cut off the power supplied to the motor, once the water level increases to the level in the water tank fixed by them. Through this electronic device, the human intervention of regular check is totally stopped. The motor gets automatic on whenever water level is dropped and the same will get switch off when the water level increases to the identified level.

This is a classic example, first, the human intervention is totally stopped, and the next is there are no chances of the waste of water through overflow.

There is a direct control mechanism works here which helps to control the time and water effectively.

IMPEMENTING AUTOMATION AT BOARD LEVEL (TOP MANAGEMENT)

As I mentioned earlier, Governance is a way something is governed. Every company shall have an effective board with collective responsibilities to govern the business to achieve its objectives.

Firstly, the board should be effectively governed, and followed by the middle management then the third level management. There are tools available for the effective management of the top level management. The challenge here is evaluating the board itself.

Normally, the performance of the third level management would be reviewed by the middle-level management and the performance of the middle-level management would be reviewed by the top management but the top level management would be evaluated by itself.

The Corporate Governance Code prevailing in various countries suggests that the composition of the board should be balanced with Executive and Non – Executive Directors. The principle of the code directs that the performance of the executive directors shall be evaluated by non–executive directors and vice versa.

To evaluate non–executive directors and committee member’s performance, the board assessment tools are used in many organizations.

Some of the sample questions listed below are used to evaluate the performance of the board and its committee with the help of automation tools.

A. COMPOSITION OF THE BOARD:

(1) Strongly Agree (2) Agree (3) Should be reviewed (4) Disagree

1. The Board has the right number of members. (1) (2) (3) (4)
2. The Composition of the Board, including the mix of independent and non – independent directors, is appropriate. (1) (2) (3) (4)
3. The board has experienced and capable to solve the issues. (1) (2) (3) (4)

B. OVERSIGHT OF THE MANAGEMENT:

1. The Board is effective in reviewing, approving and monitoring operating financial and other corporate plans, strategies and objectives. (1) (2) (3) (4)
2. The Board is effective in evaluating the performance of the Company’s compensation programs and determining the composition of its senior executives. (1) (2) (3) (4)
3. The Board is effective in reviewing and implementing senior executive succession plans. (1) (2) (3) (4)

C. UNDERSTANDING THE COMPANY AND ITS BUSINESS

1. The board can clearly articulate and communicate the Company’s strategic plan. (1) (2) (3) (4)
2. The Board is knowledgeable about the competitive factors affecting the Company. (1) (2) (3) (4)

3. The Board is effective in identifying threats and opportunities critical to the future of the Company. (1) (2) (3) (4)

D. CONDUCT OF BOARD MEETINGS:

1. The Chairman provides opportunity and encourages open communication, meaningful participation, and timely resolution of issues. (1) (2) (3) (4)

2. The Board is provided with sufficient information and time to address issues that might present a conflict of interest. (1) (2) (3) (4)

3. The number of meetings during the year is sufficient for the Board to be effective. (1) (2) (3) (4)

E. BOARD COMMITTEE

1. Responsibilities of the committees of the Board are well defined. (1) (2) (3) (4)

2. The following committees are effective in performing their responsibilities.

(a) Audit Committee (1) (2) (3) (4)

(b) Nomination and Remuneration Committee (1) (2) (3) (4)

(c) Stakeholders Committee (1) (2) (3) (4)

(d) Corporate Social Responsibility Committee (1) (2) (3) (4)

3. Comments if any _____

IMPEMENTING AUTOMATION AT MIDDLE LEVEL MANAGEMENT

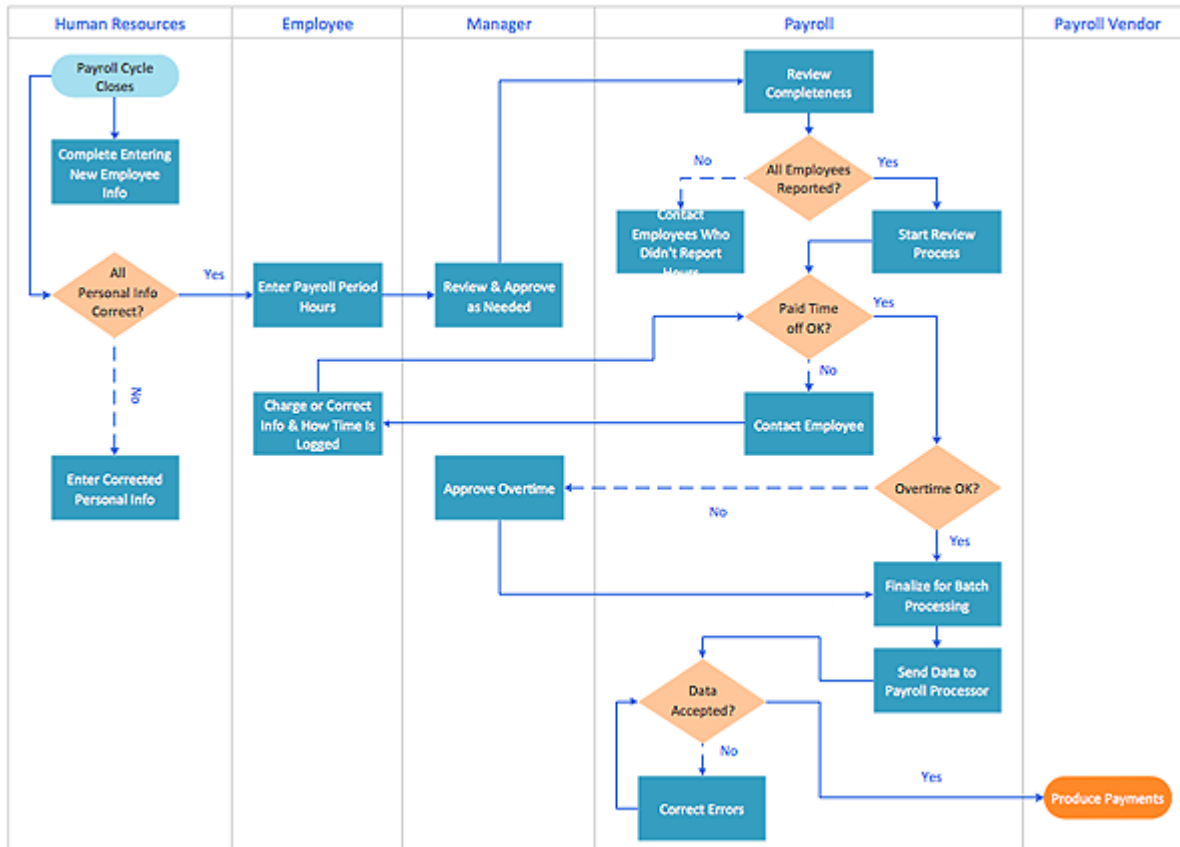
Controls are essentials in this level. The success of the Board highly depends on the implementation of the same. It is in the hands of the middle management. The direction comes from the board and responsibilities split into different departments. Such as Procuring, Production, Marketing, Finance and Accounts etc., each and every departments headed by their HODs (i.e., Head of the Departments) and directly responsible to the board and reporting through either through Managing Director or Chief Executive Director as the case may be.

In this level, the concern HODs should deliver the expectation of the Board. The middle management plays a vital role in communicating the strategic decisions taken in the board to the third level management and to execute the same with their team. The board may have a great strength in strategic planning and if there is no good team to implement at the middle level, then the process of strategic planning would be stationary at the same level.

Executives are now been thinking about how automation and the Internet are changing the nature of employment, but they also imagine how technology will have an impact much closer to home: on their own jobs. The software(s) are available which is like a virtual management system that automates complex work by dividing it into small individual tasks. It assigns these micro-tasks to workers using multiple software platforms, such as OLA, Uber, and email/text messaging.

This automation depends on the departments. In this paper, the software tools used in the accounting and HR department has been discussed which are commonly used in our country.

CROSS FUNCTIONAL AUTOMATION FLOW CHART – Example



Source: <http://www.conceptdraw.com>

We were amazed by the quality of the end result and the speed with which it was produced. It's easy to imagine this software used in many other industries. In the debate around automation, several voices have argued that management tasks are so creative that they're unlikely to be automated any time soon.

We believe modern management today is on the brink of a similar transformation.

Senior executives must wake up to this inevitability and join the conversation on the future of work, which only seems to be taking place at the policy level.

We need real solutions that enhance work environments, increase employment opportunities, and provide new kinds of worker flexibility, to the benefit of all. And like the rest of us, executives face the option of helping build those solutions now or watch as their roles are automated out of existence.

IMPEMENTING AUTOMATION AT THIRD LEVEL MANAGEMENT

This is a tuff work to design the automation at this level. Involvement of manual supervision is very important to get the job done. The automation has only a little scope at this level. It's because the understanding of software mechanism at this level is bit difficult and involvement of human touch in the product.

In the manufacturing sector, the machines and robots are commonly used. This ultimately reduces the labour and provides a high level of standards and quality in production. There is no any intention of the management to reduce the manpower while implementing the automation but at the same time to increase the number of products with the quality the automation is unavoidable.

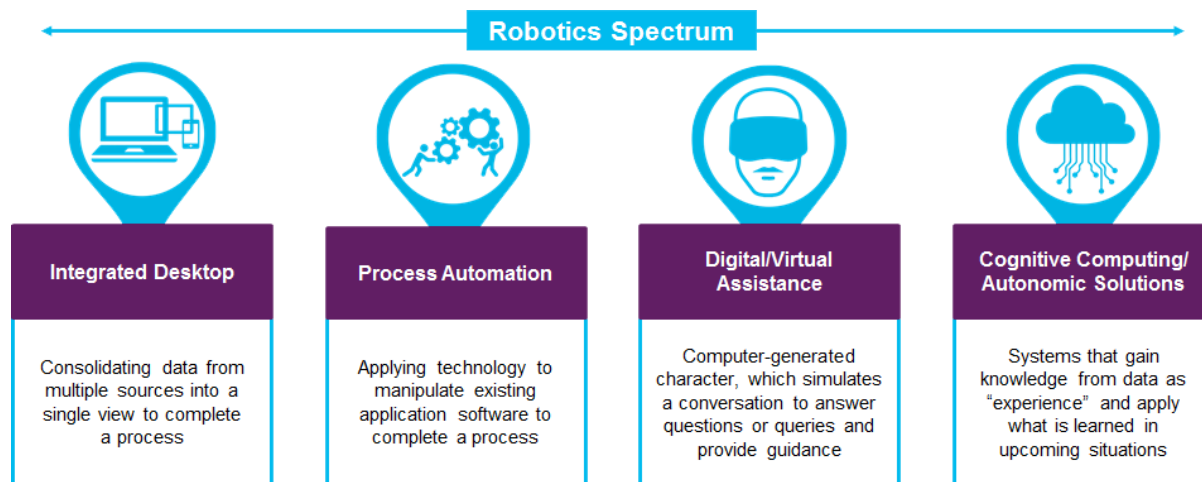
For instance, at postal departments (nowadays) registered post is monitored through e- delivery mechanisms, bus conductors are given e-ticket machine, LPG is delivered and acknowledgement is sent via mobile, booking/cancelling tickets though e-ticket, in e-commerce everything is automated from booking of the product till reaching the customer. But there is no choice; the third level management is using automated tools to better control, effective management and at the same time to some extent to maximise profit.

ROBATIC PROCESS AUTOMATION IN BUSINESSES

The current commercial trend is ‘faster is the winner’, one who brings the product to the market earn more. At the same time sustainability of such product in the market is depends on the quality of the same. Therefore companies are converting the manufacturing process into automation without compromise the quality of the product.

INTEGRATED DESKTOP

Increase in an integrated desktop system which consolidating the data from multiple sources into a single view to complete the process. For instance, banking environment is based on IDS system from the top level to the lower of management. Helps directly connects all the branches together.



Source: Accenture

PROCESS AUTOMATION:

Advanced technologies are used to pluck the bucks in the existing systems and do a fine tune with the process to produce quality products. Consistent and quality is retained when machines are used rather than done manually in the manufacturing sector.

DIGITAL ASSISTANCE:

There are no works/jobs without computers. Computer knowledge is being added in the school as a basic curriculum itself. Computer – generated a character, which simulates a conversation to answer questions or queries and provide guidance.

The Indian government is keen on implementing, “Digital India”. The Government had decided to reduce all cash transactions and opt everyone to use e-money. Thus it is not only limiting the cash transactions but also create job opportunities in the financial sectors.

COGNITIVE COMPUTING/ AUTOMATIC SOLUTIONS:

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The current situation is an e-world trend, where everything and everyone is dealt with the computer. Automation has helped so much to the industry to reduce cost and time consumption to manufacture any product.

The Robotic Automatic Solutions is the need of the hour. The world needs smart people and in turn, smart people need smart machines which are operated virtually. The machines also need an auto on-off option so to cut human intervention in process of the switch on or switch off.

Let’s talk about household items such water geyser, ovens, air conditioner etc., where the automatic power cut off option is available if the same is ON/RUN beyond certain limits. Similarly, in companies, they are also identifying options to reduce the utilization of various sources effectively and to maximize the returns on their investment.

Being company secretary in the profession, Filing the e-forms with Registration of Companies as per the provisions of Companies Act, Filing GST returns with Government authorities, filing appropriate documents with the Registration Departments, Filing IT – returns with the CBDT, Filing various e-forms with

appropriate departments make the life easy. The Government mantra is ‘Ease of doing business’. Considering this is the mind the Government had taken various measures to minimise the manual intervention in the business. It directly benefits the business by reducing the time consumption as well as indirectly opportunity for IT – guys, since they are the bone for the back office business of all e-forms filing by the companies.

In India, TCS and Infosys are the leading companies involved in this process of conversion of physical filing of forms with the Government departments to the e-filings. Though there are quite challenges with these two companies to help India digitizes its governance, the companies engaging its best team to understand the need of the Government and write a program which suitable for them and to make easy to the public to use.

Thus, digitization helps understanding the better world for tomorrow and to take the business forward.

CONCLUSION:

It is very hard to imagine doing business without the involvement of automatic machines. Perhaps in this commercial world, people do not give importance to the human capabilities. But the fact is that the technical world which is created by human intellectual only.

Indeed, every business should have own website to get recognised at even at local level. Time is cost now and therefore companies are using automation tools to reduce the labour work and engaging machines and reduced unnecessary human intervention.

I would say it as an IT – revolution. The following picture reflects the benefits of the IT – revolution in the businesses.





It depicts, lower manpower costs, get work done instantly, eliminate errors, improve productivity, scale up & down easily, improve employee satisfaction, do better with fewer resources, be digital ready and documentation of everything for the future reference. In the ongoing race to deliver quality products and services, companies are maximizing its potentials and effectively utilizing available resources.

For effective deployment and adoption of RPA in the workplace, businesses need to create a strong strategy that addresses the impact of business change on organisational culture. Once the organisational culture element has been addressed, it is important to evaluate the change management, communications and messaging, and learning and development frameworks that are in place to support the business and process changes.

Thus, in everything innovation is required not just with the outcome of the products and services but from the origin of such products and services till handing over the same in the hands of the end user.