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A Management Audit and The Corporate Citizen

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**MANAGEMENT AUDIT
AND THE CORPORATE
CITIZEN**

By
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IN a recent statement of the Chairman, Shri A. N. Haksar of I.T.C. Ltd. has said "ITC is a responsible Corporate Citizen. On a previous occasion I described ITC philosophy as follows:

"I believe every Company has two Balance Sheets. The obvious one is already with you in the Report and Accounts. The other, not so obvious, relates to obligations to the National Interest and thus to the public Good". Again in a recent seminar titled "Third All India Seminar on Company Law" organised by the Institute of Chartered Accountants of India Justice A. K. Basu of the Calcutta High Court emphasised, in his inaugural speech, the need for 'corporate management to cater to social needs'. He said that profits alone should not be the aim of corporate management. Companies should be ready to protect the interests of citizens at large.

It is indeed heartening to note the dawn of the social obligations of corporate management. Because, in a country where nearly half or more of the population live below the poverty line, there can hardly be any choice of an objective other than bringing quick relief to the poverty stricken population. Yet, these are only sporadic incidents which may at best be described as a silver lining in an otherwise dark cloud. Managements do pay adequate lip service to social obligations. But a concerted effort is not made to meet them.

An usual exercise which management conducts to re-view its own activities is known as Management Audit. An 'Audit' of the performance of various activities undertaken by the company invariably sub-serves profit motivation. An audit of the corporates social activities corporate conformance to social obligations is by definition deemed to be outside the jurisdiction of Management Audit which is meant to cater to profit motive alone.

It is proposed to evaluate the justification for the restricted jurisdiction of Management Audit and assess the likely impact if corporate management do not effectively respond to the challenges around it. In this context, the exclusiveness of corporate objective in favour of profit motive posits a very serious threat and challenge to the integrity of Management Audit, may to the very possibility of continued existence of the private corporation. An important question before Management Audit is should the objective of the audit be an evaluation of management practices for its profit producing potential or should audit address itself to certain ethical concepts. As Swami Ranganathananda had put it "De-humanisation arising from the debasement of work and the worker, by the converting of work into a battle-ground of self-assertion and self-interest, the huge size of modern industrial corporations and their impersonal functioning, and

their ruthless drive for technological thoroughness without caring for human cost — all these present serious challenges to human wisdom all over the world". Again "To put profit before people is to debase the people, and make the profit so gained dismal, and the work performed increasingly boring and meaningless". (Swami Ranganathananda, Ethics of Modern Corporation. The Financial Express, August 9, 10 & 11, 1976).

Now, an entrepreneur operates in three principal markets — factor market, output market and financial markets. When profit motive is taken as the sole criterion of performance the entrepreneur makes the most in each one of the above markets.

The basic philosophy is 'means do not matter, only the end matters'.

In factor market for instance, when material shortages emerge, unscrupulous elements appear very fast. People buy at exorbitant rates in unofficial markets, using public monies of course, and pass on the entire burden to the public in the form of a price hike. The raw material meant for production is disposed of to reap a bonanza concomitant to the scarcity. Will management audit locate these evil practices and brand it as nefarious? Or will it ignore it?

Again in factor market various malpractices exist in the hiring of labour, deciding returns to factor labour, treatment to labour, met-

