NATIONAL INSURANCE ACADEMY

presents

International Colloquium Proceedings Report

NATIONAL INSURANCE ACADEMY

National Insurance Academy's

International

Colloquium

on

Transition to Stakeholders Value Creation

Organised on 21st August 2020

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1. Introduction

The National Insurance Academy (NIA), a premier institution for learning and research in Insurance, Pension, and allied areas, organized its First Annual International Colloquium (Virtual) on Friday, August 21, 2020.

The theme of the Colloquium was **'Transition to Stakeholders Value Creation'**.

Across the world and among industries, people are realizing the importance and the purpose of a corporation, the necessity to create value for all the stakeholders and the need to redefine it in the present context. Organizing a Colloquium and conducting a discussion on this highly pertinent and crucial theme, particularly in the Indian scenario, is one of NIA's pioneering efforts.

At the Colloquium, a comprehensive discussion took place with the participation of many renowned experts from academia and industry, both from India and abroad.

2. Colloquium Structure

The colloquium was conceived and designed with the aim to advance the understanding and appraisal of various stakeholders of a firm, as well as to conceptualize implementable ideas for fructification of the intellectual concept of "Stakeholders Capitalism".

With the participation of highly acclaimed and learned participants, open house discussions were held on the main theme, and, on the two sub-themes mentioned below:

- Sub-theme 1: Who are the stakeholders of a firm?
- Sub-theme 2: How to measure the returns to employees?

Research papers on each of the sub-themes were presented by the NIA faculty at the beginning to initiate the discussion.

Under the able guidance of Mr. G. N. Bajpai, Former Chairman, Securities Exchange Board of India and LIC of India, Mr. G. Srinivasan, NIA Director, and the faculty members of NIA, namely Dr. Shalini Tiwari, prepared an extensive background paper on the main theme; while Dr. M. C. Patwardhan and Dr. S. Uma prepared an academic research paper on the first sub-theme and Dr. Sushama Chaudhari on the second sub-theme. These papers were presented in the colloquium at the beginning of the open house discussions in the respective sessions.

3. Conceptual Background on the Theme

One of the greatest interventions in the financial world has been the birth of Joint Stock Companies – called firms – in the middle of the 17th Century. The firms with the unique features of (a) Perpetual Succession, (b) Common Seal, and (c) Separation of Ownership with control, facilitated the pooling of resources at the doors of entrepreneurs with viable ideas and acumen to optimize wealth creation.

However, the advent of the new institutional arrangement gave rise to, as the father of Economics called, the "Agency Problem" – the management of interests of the majority by a select group of executives. In order to influence the behaviour of 'agents', the market forces intervened with the concept of "Corporate Governance".

Historically, following the stock market crash of 1929, the US government played a pioneering role in framing regulations on Corporate Governance in order to protect the interests of the investors. . Two legislations were enacted, namely the 'Securities Act, 1933', and the 'Securities Exchange Act, 1934'. These timely Acts helped in the setting up of the Securities and Exchange Commission (SEC) to govern the "Corporate Behaviour" and "Protect Investor's Interest".

From the field of management, many intellectuals, including the highly acclaimed guru Peter Drucker introduced valuable concepts and principles to the leaders and executives on how to balance the interests of various stakeholders and create a work environment that provides a sense of fulfilment for all. In 1946, Drucker, through his book titled, Concept of the Corporation and subsequently in 1954 through another book, The Practice of Management, articulated the timeless principles for managing an organization. It was established through his seminal works and similar works by other scholars that organizations are integral parts of society and corporate governance is an important aspect of management.

However, most of the organizations approached corporate governance by focusing largely on the core activities of an organization. With the passage of time, these approaches started placing greater emphasis on rights and returns to primary participants in an organization like employees, suppliers, and creditors. And, by mid-20th Century, the firms transited to the corporates the primary goal of maximizing the shareholders' value.

The 'Economic Theory of Firm' – a microeconomic concept – developed in the neoclassical economic outlines that a firm exists and takes decisions in order to create wealth. This is achieved through the allocation of resources, manufacturing of goods and/or services, creating demand, pricing, etc., and maximizing profits. The firm is allocated a variety of resources by multiple owners. The engagement of owners of resources is prompted by 'Instrumental Rationality (optimize return - economic)' and Conscious Rationality (engagement beyond express monetary returns)'. The maximized profits (wealth created) belong to all the resources' owners (stakeholders). Using the Economic Theory of Firm, the 'Agency Problem' – outlined by Adam Smith – has to be obliterated by sharing even residual wealth (after meeting contractual obligations) pursuing the 'Philosophy of Equity' – sharing in proportion to the contribution made.

In 1970, in an article published in the New York Times, Milton Friedman, another distinguished economist, introduced the 'Shareholders Theory' – also described as the "Friedman Doctrine'. He argued that a company has no social responsibility to the public or society; its only responsibility is to its shareholders. Justifying his view about 'who a company and its executives are beholden to', he stated, "In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business following their desires...the key point is that, in his capacity as a corporate executive, the manager is the agent of the individuals who own the corporation...and his primary responsibility is to them."

Shareholder Theory had an overarching impact on the corporate world. Harvard Business School professors, Joseph L. Bower and Lynn S. Paine, have stated that maximizing shareholder value "is now pervasive in the financial community and much of the business world. It has led to a set of behaviours by many actors on a wide range of topics, from performance measurement and executive compensation to shareholder rights, the role of directors, and corporate responsibility." In 2016, The Economist called the shareholder theory "the biggest idea in business", stating: "today shareholder value rules business". Prof. Cornelis A. De Kluyver, in his book, A Primer on Corporate Governance maintains that "making shareholders residual claimants creates the strongest incentive to maximize the company's value and generates the greatest benefits for society at large."

Scandals at Enron, Global Crossing, ImClone, Tyco, and WorldCom, etc., questioned the premise of shareholders' primacy. Many observers opined that most of the misconducts in the corporate world hold evidence of the failure of the 'Friedman Doctrine'. Voices of thinkers, opinion writers, policy planners, legislators, regulators, common investors, and society at large started questioning the foundations of the shareholders' theory and its merits.

With the headline "Why Maximizing Shareholder Value Is Finally Dying", Forbes magazine carried an interesting article by Steve Denning in its August issue of 2019. The article begins by mentioning that the proponents of shareholder theory in the US were so convinced by the mantra of "Maximization of Shareholder Values" that for almost two decades of following the doctrine, the corporations justified "bamboozling customers, squeezing workers and suppliers, avoiding taxes and lavishing stock options on executives." By 2019, the same corporations started witnessing "soaring short-term corporate profits, astronomic executive pay, along with stagnant median incomes, growing inequality, periodic massive financial crashes, declining corporate life expectancy, slowing productivity, declining rates of return on assets and overall, a widening distrust in business." By calling the doctrine as the "dumbest idea", the authors mention that the idea of "maximizing" one value to the exclusion of all the others is no longer defensible. Instead, it acknowledges the need for balance and compromise in serving all the stakeholders of the company.

Indira K. Nooyi and Prof. Vijay Govindarajan, in their jointly authored article, "Becoming A Better Corporate Citizen: How PepsiCo Moved Toward A Healthier Future" in the March 2020 issue of Harvard Business Review, also stated that "Capitalism is under pressure". The authors identify that the challenge in front of organizations today is that they "need to be focused more on long-term sustainability and less on short-term profitability. However, it is difficult for well-established companies to make that shift, because it requires that well-entrenched organizational routines change."

Broader thinking on the concept of corporate governance has since converged on the principle that all resources belong to society. Society allocates resources to individuals and firms and expects that the allocated resources are utilized to create optimal wealth for the benefit of all the stakeholders. There have been unremitting modifications in the legislation, regulations, and approaches to direct the behaviour of the firms and their managers in creating and protecting 'stakeholders' value'. And with every major corporate misconduct, the regulatory framework is becoming still more rigorous.

On August 19, 2019, United States Business Roundtable released a new statement on the purpose of the corporation. The statement was signed by all the 181 CEOs present who committed to lead their companies for the benefit of all stakeholders – employees, customers, suppliers, communities, and shareholders. This was a complete departure from the earlier premise of corporate governance followed since 1978.

The new philosophy has been endorsed by Iconic global CEOs including the likes of Jamie Dimon, Chairman, and CEO of JP Morgan Chase, and Alex Gorsky, Chairman and CEO of Johnson & Johnson.

The statement of the Round Table incorporates, "While each of our individual companies serves its corporate purpose, we share a fundamental commitment to all of our stakeholders. We commit to:

- Delivering value to our customers. We will further the tradition of the American companies leading the way in meeting or exceeding customer expectations.
- Investing in our employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity, and respect.
- Dealing fairly and ethically with our suppliers. We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.
- Supporting the communities in which we work. We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.
- Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow, and innovate. We are committed to transparency and effective engagement with shareholders.
- Each of our stakeholders is essential. We commit to deliver value to all of them, for the future success of our companies, our communities, and our country."

The steady degradation of planet earth and concern for ecology all around culminated in the World Economic Forum meeting 2020 in Davos to adopt the theme of "Multi-Stakeholders Initiative". The concept of corporate governance has since got enlarged to cover Environment, Sustainability, and Governance – **ESG**. The new philosophy has caught on and the global alignment is shaping fast.

The transition of the firms from 'shareholders' to 'primacy of stakeholders value' is going to be a formidable journey. The challenges will begin with transforming the mindset of the managers; the consciousness about the stakeholders' value creation has to seep into the discourse and the conscience.

For instance, Seymour Burchman, managing director at Semler Brossy Consulting Group, in his recent article (2020) in Harvard Business Review, opined that the time has come to re-think the executive compensation approach. While postulating a new framework, Burchman proposes the following six key approaches towards designing executive compensation :

- mission, rather than strategy;
- stakeholders, rather than shareholders;
- outcomes, rather than milestones;
- financial and non-financial goals, rather than purely financial goals;
- end-to-end cycles, rather than overlapping; and
- goals that improve at a set amount over a prior cycle and relative to peer performance, rather than budgeted performance.

Burchman further states that executives and boards may have no choice but to consider how to make long-term incentives work better especially in the era of radical strategic transformation. Needless to mention that any such transition will entail a comprehensive restructuring of the firms and the way these are governed.

Since the restructuring will aim at bringing in organizational equilibria between many stakeholders and their divergent and sometimes conflicting interests, it may also be necessary to have a thorough re-examination of "What is a business firm in the modern times?" and conduct a review of various theories of the firm. How much relevance does the conceptualization by James G. March of Carnegie Institute of Technology hold today when he wrote in the Journal of Politics in 1962 that "...a business firm is a political coalition and that the executive in the firm is a political broker. The composition of the firm is not given; it is negotiated. The goals of the firm are not given; they are bargained." Or, how pertinent would the idea of the transaction-cost focusing analysis of the firm be today, as propounded by the great thinkers like Ronald Coase and Oliver Williamson, in describing the firms ?t. Do the recently introduced conceptualizations, like the Entity Theory, wherein the firm is conceptualized as a real person who is interested in survival and growth quantitatively and qualitatively, provide greater help in explaining a wider variety of firms that we have today?

The academic focus on the Political Theory of the Firm is justified on both 'Normative' and 'Empirical' grounds. Contemporary Capitalism enables, "Artificial Persons - Firms – to exercise substantial power over "Natural Persons – workers, customers, shareholders, other members of the society.....". These natural persons as citizens must be able to exert a 'counterweight' if they are subjected to various forms of inequity, exploitation, excessive risks, and hazards. They must be able to expand the scope of conflict' and invoke the power of the state for remedial measures. The fundamental principle of a political theory is 'Egalitarianism' in the management of affairs. The broadened definition of stakeholders of the firms in the Indian Companies Act, 2013, is also justified as per the philosophy of political theory of the firm.

Institutional reform is always a journey of relearning, re-engineering, refurbishing and repurposing while travelling on the road of transformation. In this journey, it is of paramount importance for people to reflect on, evaluate and discuss the prevailing practices and the underlying thoughts while focusing on emerging trends in the socio-economic environment. Academicians and institutions have a great role to play in this endeavour.

4. Discussion in the Inaugural Session

The Colloquium was graced by the active participation of about 100 industry leaders, CEOs, and academicians. The inaugural speech was delivered by the Chief Guest, Dr. S.C. Khuntia (Chairman, IRDAI). Mr. M. R. Kumar (Chairman, LIC of India & NIA Governing Board) and Mr. G.N. Bajpai (Ex-Chairman SEBI & LIC of India) were the other Guest Speakers.

A. Welcome Address by Mr. G. Srinivasan, Director, NIA

In his welcome address, Mr. G. Srinivasan narrated the glorious journey of 40 years of the National Insurance Academy (NIA) – an apex institution of eminence in the field of learning, education, research, and consultancy in insurance and other allied financial areas. He said that every year, NIA trains about 7000 insurance professionals in various facets of insurance management, skills and technology adoption. Faculty members of NIA have also published several research papers – both in the fields of insurance and other management sciences – which have been of great value to the industry.

Mr. Srinivasan informed the participants that NIA conducts a two-year PGDM course with a special focus on insurance. NIA is indeed proud to have trained more than 1,000 young graduates providing a stream of talented executives to the insurance industry. These energetic executives are occupying key positions in the insurance industries in India and abroad – Singapore, the US, the Middle East and the countries in South Africa.

While unfolding the purpose behind organizing the Colloquium, the Director said, "National Insurance Academy has been carrying out the Orientation Programme for Independent Directors at the instance of the IRDAI. The Academy deemed the subject to be of 'Value creation for all the stakeholders as a very important one that needs in-depth deliberation and therefore, we thought of organizing a Colloquium to discuss and arrive at meaningful inputs which would be of great use to the industry as well as the society."

He opined that 'A Firm' exists and functions only because of the contribution of all the stakeholders, and, hence it is the responsibility of the firm to take care of all the stakeholders. 'Residual wealth belongs to all stakeholders'. This theory now being propounded is gaining increasing acceptance.

Underlining the importance of the stakeholders, other than only the shareholders, he said, "If a bank fails, the deposit holders of the bank lose more than the bank shareholders; and the same is also true for insurance companies, which deal largely with the policyholders' funds; but the difference is that the insurance shareholders' funds are comparatively less in volume."

He further added, 'Corporate Governance' has now moved away from the concept of "protection of the minority shareholders" to take care of "all the stakeholders" including the Regulators. In fact, the governments of various countries have been coming out with changes in laws and regulations to comply with this concept. Recognizing the fact that the role of the Board is to protect the interests of all the stakeholders, including the shareholders, the Indian Companies Act, 2013, has also an amendment that specifies the role of the directors who are bound to act in the best interest of the company, its employees, community and also protect the environment.

In conclusion, Mr. Srinivasan invited the forum to actively participate in the discussions and come forward with views that would make the Colloquium very useful and relevant.

B. Address by Mr. M. R. Kumar, Chairman, LIC of India & NIA Governing Board

At the onset, Mr. M. R. Kumar congratulated the Director, NIA, for organizing the unique Colloquium. In his informative speech, he mentioned that 'Corporate Governance' is 'the nucleus' of the functioning of every organization and then deliberated on the transition of its focus from 'core activities of an organization' to 'maximizing shareholders' value'. He said that initially, good corporate governance was simply about keeping promises made to investors to induce investment and participation in business ventures. Though corporate governance practices were aimed at making the business a law-abiding and regulations-compliant corporate citizen, the sole purpose of enforcing 'shareholder primacy' had fuelled scandals like Enron, the Union Carbide, and the Satyam Computers.

Consequent to these scandals, many approaches, and models of corporate governance – wherein all stakeholders are given their due importance – have emerged upon the realization that the enhancement of shareholders' value is not possible without satisfying other stakeholders as well.

Mr. Kumar said that in the 'stakeholder approach', though the focus is on enhancing the firm's earnings, it also ensures that costs are cut, improvement in the quality of the product is taken care of, the skills and satisfaction of employees are increased and the firm contributes to the development of the community.

Emphasizing the crucial role of the board, he opined that 'stakeholder governance' can be approached in several ways, such as (i) multilateral bargaining among stakeholders, (ii) creating forums for addressing conflicts, and (iii) establishing some priorities among different stakeholders. But the onus lies on the board to select a proper approach and balance the interests of all the stakeholders.

He also quoted the objectives of LIC :

1. Spreading the idea of insurance to all,
2. Mobilizing of people's savings for the welfare of society,
3. Conducting business with the utmost economy,
4. Engaging all personnel with a sense of pride and participation,
5. Investing funds, bearing in mind the primary obligation to the policyholders whose money it holds in the trust without losing sight of the interest of the community as a whole, and
6. Acting as trustees of the insured public, in individual and collective capacities.

Mr. Kumar said that these objectives, which have their own essence and purpose, have been laid as the bedrock and the guiding principles for the robust Life Insurance Corporation 60 years ago, and it has been all about "Value creation for all the Stakeholders of LIC of India" since then.

Finally, Mr Kumar said that, as LIC is getting into the process of an IPO, new ideas for the future would be picked up from the colloquium to recreate and refurbish the Corporation, and, that the colloquium could contribute to it in a continuous process in achieving its mission. He hoped that the companies would frame their own objectives keeping all the stakeholders in mind and, more importantly, document them – preferably in their Articles of Association itself – so they would be the beacons that inspire the organization for equitable and ethical governance.

C. Address by Mr. G. N. Bajpai, Ex-Chairman, SEBI & LIC of India

Mr. Bajpai in his address congratulated the Director, NIA, and his team for organizing a unique colloquium on a very topical and vital topic. He dwelt further on the importance and relevance of the topic by quoting the US Democratic Presidential Nominee, Mr. Joe Biden, who had said at a forum, "...the days of shareholders' primacy have gone. It is the stakeholders' capitalism that must prevail."

Mr. Bajpai continued the address by sharing one of the inspiring interactions he had with a bright young lawyer who was worried about the future of generations and the way forward in corporate governance. Referring to that interaction, Mr. Bajpai added that all this is now coming into focus due to the sense of inequality; because the balance between the society, the state, and the individual has been destabilized. He also referred to several books authored by noble laureates and mentioned that one of the major causes of inequality, as mentioned in those books, has been the focus of shareholder primacy so far.

Mr. Bajpai talked about the classic management book, The Modern Corporation and Private Property (1932) whose authors, Adolf A. Berle and Gardiner Means, proposed balancing the claims of different stakeholders. Their philosophy has worked well for 40 years. However, the 1970s witnessed a significant amount of turmoil as to '**who the stakeholders are**' and 'how to keep the balance of their interest in focus'. Later came the Friedman doctrine that shifted the focus to 'shareholder primacy', which concept led to the thriving of the corporations, increased the growth and prosperity of the firms.

Talking about inequalities vis-à-vis the stakeholders' primacy, by citing the examples of Bill Gates, Mark Zuckerberg and the like, Mr. Bajpai said that the top 1% of the people accumulate 50% of the global wealth. Taking a cue from Mr. Srinivasan's welcome address, he talked about the residual wealth that the corporates have had to surreptitiously abrogate to the shareholders totally ignoring the interest of the other stakeholders. However, he added that the residual wealth which represents 50% of the value of planet earth should also be shared with the other stakeholders {**in the form or the format}** **?**. He supplemented this by saying that "the think tanks today are still engaged in trying to improve the hygiene of corporate governance. Whereas the hygiene can serve a patient upto a point, but the disease must be treated and the disease, in this case, is the unequal sharing of the residual wealth."

Towards the end of his address, Mr. Bajpai said, "The behaviour of people cannot be changed by legislation alone. Legislation can create the boundary within which one has to function. However, the behaviour is changed because of motivation. If the motivations are economic, the barometers must be found which are acceptable to various stakeholder groups and still preserving the entrepreneurship." He concluded his address by again congratulating Mr. Srinivasan, Director NIA and the Faculty who have picked up the challenge, and all the attendees who deemed the discussion on the topic necessary and timely.

D. Address by Chief Guest, Dr. Subhash Chandra Khuntia, Chairman, IRDAI

At the outset, Dr. Khuntia congratulated NIA for choosing an interesting topic for the colloquium. Emphasizing the relevance and timing of the colloquium, he said that with the current pandemic, the realization has dawned on the people that human relationships are more important than creating wealth and how to share it with other stakeholders and not be greedy about amassing wealth which would otherwise be concentrated only in the hands of a few.

Dr. Khuntia stated that for a long time the prevailing thought in the United States had been the maximization of shareholders' value. It was felt that if shareholders value were maximized, it would serve the purpose of the corporation. However, because of the principle of maximization of shareholders' value, there has been an increase in the concentration of wealth in fewer hands, which led to increased inequality. Hence, Dr. Khuntia opined that in the interest of long-term sustainability, there is a need to look at the changing paradigm that is being proposed in the colloquium topic, i.,e. moving from maximization of shareholders' value to maximization of stakeholders' value.

To emphasize the importance of this paradigm shift, Dr. Khuntia talked about each of the stakeholders who play a pivotal role in a corporation. He said, one of the most important stakeholders for any corporation is the customer. Hence the customer values need to be maximized in terms of affordable pricing for the products and providing greater satisfaction. Next, he talked about the employees and stated, "there is a belief that the top management draws abnormally high salaries as compared to the average salary of the employees. This is not a very healthy and sustainable situation as it will eventually give rise to frustration and the motivation of employees also will be at stake. If employees are motivated there will be greater value creation and better quality of goods and services that are being supplied by the corporation."

Continuing his discussion about the stakeholders, Dr. Khuntia emphasized how suppliers of material, distributors, environment, and government are also important categories of stakeholders. He stressed the point that if all the stakeholders prosper, the corporation will also prosper, as there will be a harmonious relationship among the stakeholders and the objective of the corporation will be achieved. He highlighted that this is like the concept of maximization of welfare in economic theory. For maximization of welfare, the corporations will have to take a balanced view, and it cannot be one section against the other. Equilibrium will have to be established so that all stakeholders feel that they are also getting a fair deal.

Talking about the role of the board, Dr. Khuntia said, "So far Boards have been concentrated with only shareholders' representatives. However, now the Independent Directors are supposed to look after the protection of the interest of other stakeholders also." He added that ideally, a corporation should have members on the board where the other stakeholders are also represented. Dr. Khuntia suggested that besides the financial goal of wealth creation, there should be other non-financial goals of the corporation as well in terms of creating a better culture and adopting ethical practices. He also stated that there is a need to modify the performance measurement parameters of the management, such that the maximization of wealth of the shareholders is not the only single indicator of their performance but, there is a basket of indicators which include environmental sustainability, diversity, and inclusiveness.

In his closing remarks, Dr. Khuntia quoted Mr. Bajpai who had said that merely making laws is not enough for improving the motivational level of people and corporations. It requires a change in the mindset. He hoped that this colloquium would be the first step towards changing the mindset and looking at things from a different perspective. He also suggested that the discussion in further colloquiums could be extended to discuss "how to measure returns to other stakeholders, apart from employees."

5. Discussion Session 1 on the Sub-theme : 'Who are the Stakeholders of a Firm?'

A. Introduction to the Sub-theme

The **first session** of the colloquium was on the sub-theme : "Who are the Stakeholders of a Firm?" The Moderator of the session, Mr. G. N. Bajpai, commenced the proceedings by extending a warm welcome to all academicians and academically inclined participants to the forum. He set the context for the presentation by picking up the threads of thought that he had introduced earlier in the Inaugural Session.

He spoke of the aggressive 'Shareholder Primacy' that followed the bounding of the 'Friedman Doctrine' and said that it had some merits, such as economic growth, increased prosperity, and reduced poverty. But it also had disastrous effects like short-term losses, inequality, environmental degradation and social destruction of future generations.

In order to address the adversities, Mr. Bajpai expressed his firm belief in the proposed solution of 'Stakeholder Capitalism' which would balance the interests of various stakeholders. He said, "The stakeholders are already forcing executives and the decision-makers to have a rethink on the concept of merely mundane profit as against 'Profit with a Purpose'. They want a new model of collaboration where all the stakeholders would also participate in the decision making. They want risk management also to cover and ensure the well-being of future generations. They expect the governance of the firm with a sharpened focus on equity, ethics, and fairness. They want the trust to be cultivated; but with shared values, shared purpose, and shared management."

In order to enlighten the forum about the public opinion regarding the importance of stakeholders, he quoted the recently conducted "Edelman's Trust Barometer Survey" which asserted that only 13% of the public believed that shareholders are the important stakeholders; whereas 87% of the public believed that the other stakeholders are more important. Further, he opined that if the 'Stakeholder Capitalism' is still being pronounced as a mere Public Relations statement, it may be because of the past confusion about 'who the stakeholders are' and 'how to balance their interests'. He emphasized that now the intellectual concept of 'Stakeholder Capitalism' has to be translated into an executable approach by the academicians.

Mr. Bajpai stated that many impactful managers, like Jamie Diamon, had supported the stakeholder theory and on August 19, 2019, when 'United States Business Roundtable' released a statement on the 'Purpose of a Corporation', it was signed by all the 181 CEOs present who committed themselves to lead their organizations for the benefit of all the stakeholders. But then, he quoted one more survey which was conducted by the Harvard Business School to confirm whether all the 181 CEOs who had taken the pledge reported it to their boards or not. It was a shocking surprise to find that only 48 of the 181 CEOs had communicated the fact of their signing the pledge to their boards, and, out of these, only one Board had approved it – the reason being that the "boards are dominated by the shareholders' representatives."

Mr. Bajpai mentioned that "World Economic Forum' had also taken up the theme "Stakeholders" for its 2020 session in Davos.

To give an example of typical human behaviour, Mr. Bajpai mentioned Larry Fink – the biggest investor in America with a treasure trove of $7 trillion AUM – who does not consider the protection of the environment as his concern. Hence, Mr. Bajpai once again said that, as mentioned by Dr. Khuntia earlier, all the intellectual talk about stakeholders are existent for a long time but now the motivations for 'change of mind' must be considered.

He said that in their thesis, Prof. Patwardhan and Prof. Uma would deal with the topics: 'who the stakeholders are' and 'how to identify stakeholders' in their paper presentation. They have also attempted to describe the tenacity of each of the stakeholders. They have summarized a grid designed to create an instant identification and easy recapitulation of stakeholder relations into the firm. As mentioned by Mr. Srinivasan, Director, NIA, the thesis would also enunciate a new concept of residual wealth described as 'Stakeholder Fund'. He said that the thesis has been built based on unlimited liability.

He mentioned that 'Corporation' is an invention of the 16th Century and the model works with a common seal, perpetual succession, and limited liability. Mr. Bajpai also stated that every act has a liability, and it cannot be limited only to the capital brought in.

Mr. Bajpai mentioned the incidence of the Bhopal tragedy in which thousands of people got exposed to highly toxic substances and consequently how the future generations are also being affected. He pointed out that it was the society that came forward to fund the shortfall for the sufferers. Similarly, if a factory closes and employees are declared redundant, again it is the society that holds their hands to make a living.

He said that the Professors are trying to build their research on the concept that the residual wealth belongs also to the stakeholders and not only to the shareholders. At the same time, they do not deny the need also to promote the idea of the sustainability of the organization. He pointed out that most of the time, fiduciary responsibility, which has been talked about in the boards, is limited to the majority and minority shareholders, related party transactions and arm's length pricing, etc., but it did not talk about equity and fairness. He mentioned another interesting study that brought out the fact that, though the 50 States of the USA have passed some laws on a fiduciary responsibility to include all the stakeholders, only lip service has so far been provided.

In his concluding remarks, he again mentioned that society as a stakeholder holds the unlimited liability part. This allows one to thrive, to use the assets that belong to the Society. He recalled the Doctrine of Public Trust and said that the Supreme Court of India also holds that fiduciary cannot be sold, it can be leased and used for rental.

With these initial remarks, he handed over the forum to Dr. Mangesh Patwardhan and Dr. S. Uma.

B. Academic Paper Presentation on "Who are the Stakeholders of a Firm?"

This theme paper was prepared jointly by Dr. M. C. Patwardhan and Dr. S. Uma, and, the former presented it to the forum. At the outset, Dr. Patwardhan expressed their indebtedness to Mr. G. N. Bajpai for his support and guidance in the preparation of the outline of the paper, and, that the new concept of 'stakeholder fund' was the .outcome of the extensive discussions they had with him. Besides, the analysis regarding 'identification of the stakeholders of a firm' was also largely based on Bajpai's book, The Essential Book of Corporate Governance.

Dr. Patwardhan then continued his detailed presentation of the topic and furthered the thought processes initiated by the speakers in the inaugural session and the subsequent introduction by Mr Bajpai.

He made brief references to the two 'theories of a firm' : (a) 'Economic Theory' and (b) 'Political Theory' prevalent in the last century.

(a) The **'Economic Theory'** of firm is rooted in neoclassical tradition and it focuses on the creation of wealth through the engagement of different stakeholders with a variety of resources like land, labour, capital, and entrepreneurship. The engagement of owners of resources was prompted by 'rationality' of two types, (i) 'instrumental rationality' and (ii) 'conscious rationality'.

'Instrumental rationality' treats resources – including human resources – as instruments to optimize returns. Therefore, it is the maximization of utility from a particular resource that drives the decision to create wealth. On the other hand, 'Conscious rationality' goes beyond the maximization of utility in terms of express monetary returns, and, it looks at 'the person' as a whole entity.

(b) The **'Political Theory'** of the firm says that the artificial juristic person - known as the 'Firm' – has the aggregation of wealth and economic power and it exercises substantial control over natural persons, such as employees, vendors and society, at large. In the process, the natural persons may get subjected to inequity, exploitation, or hazards and they must be able to exert some sort of counterweight on the corporations through the principle of 'egalitarianism' which states that "all people are equal and deserve equal rights and opportunities."

Dr. Patwardhan said that the concept of artificial persons is now very prevalent in India and even in the USA. Some states like Delaware have a greater number of artificial persons than the number of natural persons in the state. He pointed out that recently Apple's market capitalization has touched two trillion dollars; which is more than the GDP of several countries and even in a pandemic situation, when everyone, including employees, is suffering, the market capitalization of some companies, like Apple, Amazon, Alphabet, and Microsoft are seen to be increasing manifold.

Dr. Patwardhan opined that in such situations, a counterweight can certainly be exerted on the companies through the legal process. The political theory of firms talks about the expansion of the scope of conflicts and invokes the power of the state for remedy. Though it is said that law itself might not be sufficient to act as the agent of change, he emphasized that Law has a kind of expressive aspirational function. Law expresses a particular norm as desirable and hence, the law can initiate the change of the ground.

Talking about the recent changes in legislation and expansion of the definition of stakeholders, he said, "In India, Section 166 of the Companies Act, 2013, talks about the Board of Directors that need to work for the benefit of the shareholders as a whole and also to act in the best interest of all shareholders, employees, community and the environment – the stakeholder. Thus, the Indian

Legislature, through the Companies Act, has already signalled that we are no longer wedded to the 'Shareholder Primacy Model'."

Dr. Patwardhan made it clear that though these two theories of firm differ in their approaches, both are sensitive and go beyond the 'Shareholder Primacy' and create value for all the stakeholders. In the second part of his presentation, he talked about the economic theory of 'Jensen and Meckling' published in their seminal article (1977) which describes the Corporation as a 'Nexus of contracts'. As per this theory, shareholders are also just a party in such a 'Nexus of contracts. But here, Dr. Patwardhan cautioned that on the legal front, the position of shareholders could be different.

In support of his view, he mentioned the famous case of 'Dodge vs. Ford Motor Company', which was litigated in 1919. The Ford Motor Company had substantial reserves and there was a lot of pressure from the shareholders to declare a special dividend to reward them. Henry Ford took a stand that instead of paying extra dividends to the shareholders, he would reduce the prices of cars and he would increase the wages of the employees. Some shareholders filed a suit, and the Michigan Supreme Court ruled that the shareholders – as a part of their shareholder primacy rights – are entitled to a special dividend and Henry Ford had no business of maximizing the welfare of the employees and the customers. This is one such case where the 'Shareholder Primacy Model' was very clearly and explicitly upheld by a court.

Dr. Patwardhan continued, "With time, things have changed a lot and the extensive academic literature shows that 'Shareholder primacy' has been questioned. He mentioned that an important outcome of the review is that there is a need to maintain balance and harmony among the stakeholders – the Individual, the Organisation, and the Society. 'A Firm' is an instrumentality to serve the larger societal goals by treating the individuals fairly and equitably."

As regards the actual emergence of 'Stakeholder Theory', Dr. Patwardhan said that it first emerged in the 1980s and underwent some consolidation in the 1990s. The core assumptions of the stakeholder theory can primarily be described as:

- Every firm is influenced by various groups of stakeholders.
- A firm also influences the stakeholders.

The relation between a firm and its stakeholders can be of a kind of an equal-footing relationship or otherwise.

He mentioned the latest case of the copper smelter plant run by Sterlite Corporation in Tamil Nadu. The plant's operations were being resisted by the local community as it was adversely impacting the environment – heavy pollution of soil, air, water and consequently their health, caused by the factory emission. Ultimately, the plant was closed in 2018 and the court refused to permit the Corporation to continue its operations. Dr. Patwardhan emphasized that for a particular stakeholder group – be it th the employees, the shareholders or the society – one should first focus on the results that are to be achieved and then on the processes that would take one to the desired results.

Talking about the legal provisions, Dr. Patwardhan said that Section 166 of Companies Act, 2013, just gives a list of a kind of putative stakeholders that the board of directors should be responsive to, instead of stating precisely any order in the process or focussing on how shareholders, stakeholders should seek to influence organizational decision-making process also to address their needs and priorities. Stating that vast literature is also available on those lines, Dr. Patwardhan expressed his concern that probably only lip service is being paid and a lot of such literature is ambivalent, regarding whether it is an empirical fact that is being reported through their research or it is just the normative principle that everybody needs to hold. He was of the opinion that the points that emerged through the literature are difficult to be concluded as empirical facts or normative principles, or aspirational principles and it is a big issue that needed to be look at objectively.

1. Identifying the Stakeholders

'Stakeholder Analysis' involves identifying major stakeholder groups of an organization and understanding the mutual inter-relationships between the organization and the respective groups. It also involves the unique needs and expectations of each shareholder group and assessing the impact of the operations of the organization on different stakeholders.

In the next part of his presentation, Dr. Patwardhan discussed about the various categories of stakeholders that could be clearly identified.

2. Shareholders

The 'Shareholder Primacy Model' talks about shareholders as the only stakeholders who supply risk capital – both in the initial stage and in the subsequent stages. Of late, the timeline between starting a new business and taking it to the public is getting longer because of the availability of plenty of private venture capital. Traditionally, there had always been a residual financial stake for the distribution to shareholders. They are the ones who benefit from the 'Corporate Value Maximization' because, the more the value is generated, the entire residual value goes to them.

Nowadays, a new paradigm of 'social impact investing' is seen, e. g. some pension funds in the US, like Campus, have signalled how a company may run in terms of ESG matrix, which may also affect the voting decision.

3. Employees

The Employees are the stakeholders who contribute labour and skills. They are autonomous agents, unlike the shareholders. Shareholders contribute the capital and there is a separation of ownership and management. If employees are not treated as autonomous agents, the alienation problem arises.

He pointed out that shareholders are not necessarily loyal to the organization. But, the employees, particularly the unskilled ones who are associated for a long term are more relevant than the shareholders. They are not only a contractual stakeholder group as traditionally assumed, but they also happen to have some sort of residual stake – loyalty. How to measure that intangible element is something important and should be included and discussed upon.

4. Suppliers

Suppliers can be distinguished between two types : (a) the vendors – who supply physical resources like raw material, components, consumables, etc., and (b) the (debt) capital providers who provide the financial resources and service the loan.

Though primarily they are visualized as the contractual stakeholders, from the organization's point of view, the quality of governance in the case of debt capital providers would directly translate into a favourable credit rating and that would lower the cost of debt capital even for the corporation and their contribution may also affect the pricing. Thus, from the firm's point of view, the quality of governance is important as it can affect the cost at which one can source these resources from the suppliers.

5. Customers

A business exists to serve its customers who have a stake in the quality and reliability of itsproduct/s. Particularly, in some industries, such as banking and insurance, post-sales services and continued customer satisfaction with the product are highly important. Hence, the quality of management and governance is very important for the business as well as for the customers. In the case of insurance, for instance, 'the Moment of Truth' is how quickly, effectively and fairly, the company manages the claims process. Hence, there is a need for conceptualizing the residual stake for customers also as the stakeholders.

6. Society

Society is an enabler and it also gets affected by every corporate action that has a socio-economic impact. In the case of 'Limited Liability Firms', the liability of a firm is legally constrained. But, as per the provisions of the Companies Act and jurisprudence, in certain cases, the courts are entitled to lift the veil of limited liability and hold the people behind the company responsible. But there are pragmatic limits like, their ability to pay. Hence, during the economic crisis of 2008, a major bailout package was announced by the government.

Currently, in the current pandemic situation, the US Congress has released a multi-billion dollar package under the CARES Act. Importantly, the package has made a lot of money available to the companies which are in shutdown mode, just to pay salaries and wages to their employees; so that the aggregate demand does not suffer adversely. The bailout package indicated that when the financial resources of the companies are limited and they cannot pick up the tab, even if they want to effectively, the society or the state has stepped in to hold hands. In insurance too, the risk cannot be eliminated; but it can only be transferred. Similarly, during crises, when everybody else is unable or unwilling to pick up the tab, it gets finally transferred to society.

7. The State

The state is the gatekeeper and protector, and it provides 'law and order'. In India, there is an extensive constitutional framework in place, like the Article 19(1)(g) that guarantees the right to practice any profession or to carry on any occupation. Likewise, Article 300A is a protection against any expropriation of property by the state without any authority of law. As a contractual stakeholder, the State collects taxes and fees from the corporates.

Dr. Patwardhan then listed the six stakeholders – Shareholders, Customers, Suppliers/ Lenders, State, Society and Employees and spoke about the grid of 'Stakeholders' chain' based on economic logic with a graphic presentation of 'Contractual Stakeholders' and the 'Residual Stakeholders'.

The difference is that, moving away from the paradigm wherein the shareholders were only conceptualized as the residual stakeholders, the 'grid' now concedes that there may be other stakeholders, who can also be the components of residual stake, apart from their contractual status.

About the practical reality, Dr. Patwardhan commented, "Moving from 'Shareholder Primacy' to 'Stakeholder Primacy' is not as fanciful as it sounds. The Stakeholder Primacy has already been part of our Corporate life and in a positive sense, this majestic Stakeholder Primacy elephant – "The Airawata" – is already in the room whether one wants to recognize it or not."

He further commented that the traditional 'Shareholder Centric approach' was right at one point in time; because it was grounded on the notion that risk capital was very scarce. Therefore, people who were willing to commit their capital for a business enterprise and were ready to bear the downside of potential risk, would not have come forward unless they saw the entire upside of the result of their investment. Hence, it was only symmetrical and logical that the upside also to be in their favour.

But as of today, that is upended as capital abundant companies or start-ups can afford to stay private for decades together. Secondly, even for the shareholders, diversification of investment is possible to minimize the downside. Hence, as the portfolio theory says, instead of looking at the riskiness of investing in a particular company, it would make sense to look at the investment on a portfolio basis and, therefore, during the present pandemic period, it is not much compelling to incentivize risk capital by providing exclusive residual stake. Today, the whole approach regarding residual stake has changed because the reality around which it was built is different. Currently, it is the employees and suppliers. particularly those who work with big corporations who have little or no chance for diversification.

Thirdly, the differential voting shares, either willingly or unwillingly approved, have already weakened the link between the economic interest and the control factor. It has also been accepted that even within the equity shareholders, there may be different classes of people who may be willing to put capital who may be looking at different concerns, different goals and hence the need to have different classes of shares to address those concerns as well. So, organizations opted for superior voting rights, which SEBI permitted for a while, but were later clamped down. Now they are becoming permissive again Important individuals like Mark Zuckerberg or Larry Page have minority economic interest but hold majority control. So even among the shareholders, we do not treat all equally or in proportion to their economic interest.

Also, the 'Environmental, Social, and Corporate Governance' (ESCG) and the 'Social Impact Investing' (SII) implicitly question the traditional paradigm that all the shareholders are interested in is maximizing their financial returns.

Dr. Patwardhan wished to draw the attention of the forum to one feature that the CSR contribution of 2 per cent of the net profits is not tax-deductible under the Income Tax Act. One rationale for this is that if it is deductible for tax, the state will end up subsidizing a portion of CSR expenditure. And, that it would not be logical. But the CSR contribution is paid out of the post-tax pool just as the dividend is paid to shareholders out of the post-tax pool. It is the money contributed to society after the payments to all the contractual stakeholders. Hence, not extending tax-deductible treatment for CSR expenditure is an implicit recognition that society is being treated as a residual stakeholder.

Speaking about suppliers as stakeholders, he gave the example of a 'Milk Producers Co-operative' and said that if dividends are paid to the suppliers based on their supply of milk in a particular year, the suppliers can be treated as residual stakeholders in a very direct way.

Speaking about customers as the stakeholders, he said that in the insurance industry also there is a debate on expenses of management, and, there are arguments that so long as the solvency ratio of an insurance company is perfectly compliant with the regulations, there should not be any cap on its expenses. He opined that there is a rationale for having a cap on expenses of the management as the whole idea of insurance is the collection of a pool of premiums and the more one spends, the smaller is the pool available for the policyholders. And a larger pool obviously would mean that one can reduce premiums probably.

Dr. Patwardhan quoted Dr. Khuntia and said, "There are several regulations which can be interpreted as saying that in fact, there are policyholders who are the primary residual stakeholders and the shareholders come later. For example, a Life Insurance Company can spend only up to 10 per cent of the total surplus on a dividend to the shareholders and the balance 90 per cent must be used for declaring bonuses for the policyholders. The dividend restrictions put on banks and insurance Companies by the RBI and the IRDAI during the pandemic refer to the preservation of their pools and implicitly recognize that shareholders are not the only residual stakeholders."

As regards the "short-lived" shareholders, he said, "Presently in the developed markets, around 70 per cent of the total trading happens through high-frequency trading. In India, it has been put between 30 and 40 per cent. On an average, a high-frequency trader remains a "quote-unquote" shareholder of a company, only for a few microseconds. The shareholders of the early 20th Century used to hold their shares for years together, but currently, the high-frequency traders get in and out in microseconds taking advantage of market misalignment in pricing."

He further opined that there is a sea-change between the era of the 20th Century and the present era which fact needs a 'rethink'. We have implicitly recognized that there are also other people in the game and we need to recognize them also as the stakeholders; but more importantly, there is a need for a proper theoretical framework and a deeper understanding of the 'Stakeholder Matrix'. Dr. Patwardhan suggested that as the 'Employees-HR' aspect of stakeholders would be discussed in the second session of the colloquium, he expected that the other stakeholders would also be dwelt and built upon, by the subject matter experts.

Towards the end of his presentation, Dr. Patwardhan introduced the innovative "Concept Of Stakeholders' Fund", which needs to replace the traditional term of "Shareholders' fund" consisting of the entire residual pool of a firm.

He mentioned, "As said by several speakers, the companies adopt a 'Minimalist approach', i. e. they just comply with the necessary legal requirements. But there is a need to address the motivations and incentives for all the different factors contributing to the companies, and, therefore, we have proposed the concept of 'Stakeholders' Fund'. As there are also other residual stakeholders, probably the 'Residual fund' should be called not the 'Shareholders' fund' but the 'Stakeholders' fund'. Once such a stakeholders' fund is created, the next crucial step would be determining the share of each stakeholder group, in the same."

Dr. Patwardhan made it clear that the equitable and fair distribution of the residual pool among various stakeholders might be peculiar to different industries and different jurisdictions. He emphatically said that a lot of analysis and construction of a theoretical framework would be required to address the allocation aspect. This task would require a multi-disciplinary approach blending the whole spectrum of legal, economic, organizational and political theories and sciences.

He concluded his presentation impressing upon the forum the need to work on the innovative 'Concept of Stakeholders' and take it forward.

C. Open House Discussion on "Stakeholders of a Firm and the Key Take-Aways

The Moderator, Mr. G. N. Bajpai complimented Dr. M. C. Patwardhan for his excellent Presentation. He then invited all the esteemed participants of the colloquium to contribute to the discussion on the theme of **Stakeholders of a Firm** by putting forward their ideas and questions. The industry experts and academicians congratulated National Insurance Academy and Mr. G. Srinivasan, Director NIA for organizing the colloquium on a very relevant topic and making the necessary arrangements. . They also profusely complimented Dr. Patwardhan and Dr. Uma for their excellently researched and equally well-presented paper.

Inspired by the theme, the forum keenly participated in the open house discussions and shared many brilliant and useful ideas relevant to the evolving concept of Stakeholders' value creation. The collective view of the forum about the topic can be summarized as: "The concept of transition from 'shareholders' primacy' to 'stakeholders' value creation' is still evolving, and, it is becoming important for the entire society, the government and all other stakeholders to have an unbiased assessment of the overall value creation for stakeholders by all organizations."

The discussion began with the suggestion to formulate a **Conceptual Framework** showing alignment between the 'sustainability' of a business and its 'value creation' for all the stakeholders, including the shareholders. It was the common view that instead of having a myopic focus on quarterly performances of the top-line and the bottom-line of corporates if the actual stress is on shareholders' returns on a long-term basis, the perceived mismatch between the shareholders' interest and the rest of the stakeholders' interest may get minimized.

There was a suggestion that the NIA conduct specific research to figure out the **correlation** between corporate governance/multiple Stakeholder management' and 'solid economic outcomes and benefits to the corporation for the stakeholders. It was endorsed that there is enough anecdotal and necessary evidence to conclude that that, all things being equal, well-governed companies, which also have efficient stakeholder management, get better market and economic rewards.

Another perspective put before the forum was that of looking at 'corporate governance' from the perspective of **'Citizenship'** orientation. It was said that behind each stakeholder of a firm, there is an ultimate stakeholder in the society and there are only the citizenship values and citizenship-related foundational characteristics that flow through all aspects of the firm and the economy. The regulators also need to assess their capacity to do justice to the citizens, and, that it is time to realize that citizenship values and citizen welfare are factors that need to be valued.

It was emphatically said that while moving away from shareholders' primacy, we should keep in mind that **'corporate governance' is no longer about messaging'** and there is a need to get down to the actual designing of structures. It was suggested that the NIA can play a lead role in designing the 'new-age corporate governance' for the insurance and pension sectors in the Indian context, which can further be adapted to the other sectors as well.

Another suggestion was to provide an alternative approach to the entire proposition of the residual stakeholders. Presently, the entire operation of an economy is more like an ecosystem where all the stakeholders are interacting with each other in a symbiotic and synergistic way and it is more of a flow of interactions. Hence, in place of a **deductive logic** of figuring out whose stake it is residually, a **flow approach** can always be thought of to lead to greater satisfaction and better societal harmony. Both of these approaches can be used complementarily.

It was recommended that some of the contractual stakeholders like **customers and suppliers** should also be part of the 'residual stakeholders'. The customers have, no doubt, add value to the organization not only by paying the price but also by being loyal or transient, and, the same is true for suppliers as well. The value from each of these stakeholders or their categories needs to be looked at carefully". The moderator assured further evaluation of this proposal.

One thought-provoking submission was: "In the evolution of corporate culture, the development of **Shareholder Activism** has been considered as an opportunity to improve the functioning of companies. The corporate culture of India is undergoing the important development of shifting of shareholder activism from 'individual activism' to 'institutional investors' activism'. Though in a nascent stage, it would help enhance the corporate culture by improving the transparency in disclosures and engagement among stakeholders. The regulators also have mandated the companies to develop the Stewardship Code for their investing companies. The development of shareholder activism in the Indian corporate world in the coming days also needs to be taken into consideration".

Another important thought shared was. "When we look at the sustainability of an organization, the economy, ecology and society are very important. The Indian public sector has a small base of about 19,500 companies with more than Rs.10 Cr of paid-up capital. The total CSR fund of all the companies put together is less than Rs. 50,000 Cr, and, more than 50 per cent of the amount is funded by 20 large companies. India is fundamentally a socialist economy and it is very difficult for the government to give away the control that is being imposed through various government departments, agencies, and regulators. In the European Union, the free market is completely different as compared to the Indian market which is just moving towards a 'free market' concept. There should be more studies and in-depth analysis of the stakeholders' concept, in the Indian scenario. The environment of cultivated corruption and nepotism in India is a major problem hindering good governance of companies in terms of both the role of independent directors and the role of the management". There was a suggestion that the problems peculiar to the Indian scenario should be incorporated in the study to make it more relevant.

A new observation was : "With the onset of economic reforms, India is now a country where ease of doing business is being assured; but, because of its high position in the corruption index, India is not accepted as an efficient country outside and the potential business entities are afraid of the top people of India. Important institutions, like banks that have their fiduciary responsibilities and accountability towards depositors, are also considered as failures. All this downside can be attributed to **undesirable human behaviour**. Hence, there is a need to address these concerns, limitations and apprehensions in various ways, like a socio-economic revolution, changes in the educational system, and government initiatives."

Another observation made was that since in India, **state-owned enterprises** play a major role in many activities there is a need to strive for an equilibrium between their stakeholders and their aspirations. How it can be done is a vexing question.

Another idea put forth was the allocation of the stakes on the lines of a **Balanced Score Card.** It was agreed that a simple formulaic approach is taken for allocation of stakes to contractual stakeholders and risk-taking stakeholders, like equity shareholders. It was observed that it may not do justice and this tricky matter requires a multi-disciplinary approach.

Another idea was regarding the development of a quantified mechanism that can provide performance parameters for the assessment of an organization on all dimensions of its multiple stakeholders. The **'Multidimensional Performance Analysis'** of a company was compared with '**360 degrees Appraisal'** of an employee. It was suggested that the spectrum of performance parameters for a company should get widened from the current indices like PE ratio, EPS, and dividend.

Another concern in the current situation was that the youngsters as **'employee stakeholders'** do not perceive any benefit in staying longer with an organization or adding value to the organization's welfare or for themselves. An observation of a youngster, who had an attitude of 'love your job but not your company; because you don't know when your company will stop loving you' was quoted. There was a question whether this kind of view stemmed from a total disillusionment with the system or it was a pragmatic view adopted by youngsters towards their careers. Looking for greener pastures seems to be the trend of the day.

The moderator remarked it as an attitude of a particular individual and opined that today's youth is seriously concerned about society. He added, "As per the available data, 10 per cent of IIM graduates want to work for NGOs. Similarly, many people are seriously concerned about human resources, the stakeholders, and society and they are looking for a format to be able to formalize the whole process of allocation. Many people do not work merely for salary, but for a larger purpose – that of the organization. Therefore, the stakeholders are pushing the executives and mission makers to – Profit, but with a purpose".

There was also a suggestion to introduce "**Human Resource Accounting**" to the balance sheet and acknowledge that this embedded (store of) value also consists of a certain amount of value added by the human resource and the employees working with the organization.

Another submission was to include **'stakeholder value'** as an **intangible asset** like 'goodwill' or 'brand equity' in the balance sheet to get it embedded in the organizational value so that it can be evaluated from time to time for the networth calculation of the company's assets.

It was also opined, "As of now, the corporate reportings, quarterly meetings and statements are purely shareholder-focussed. There is a need to shift the **focus of the corporate reporting** to all the stakeholders and allow their larger participation to develop their interest in the organization. This would eliminate potential scandals and India would be respected globally as it richly deserves."

One of the observations as, "Today's generation is fascinated by the millennial, unicorns and the big brands. Brand awareness is high, and people aspire to own and show off big brands. The earlier generations were inspired by freedom fighters and social needs; but today, society is showing affinity towards the concentration of wealth. In such a scenario, it is a **very difficult task** to take care of the stakeholders who are not visible and, who don't have any influence on what is happening in business parlance."

There was an appeal made to the general insurance companies to take up the **responsibility of ESG** and differentiate between industrial risks, which are hazardous to the environment/ society and which are helpful to the economy. Director, NIA, supported the proposal and said, "In many international markets, there are insurers who do not insure companies that are harmful to the environment. Even investors do not invest in such companies. India also has to follow suit." He further assured that the NIA would do some homework on this front so that this awareness could be generated in the market.

It was also pointed out that the quality and time-factor of the **'claim settlement'** are frequently the major problem, especially in general insurance. Hence, there is a need to formulate a **Rating Model,** based on available statistics of the claims settled by insurance companies. , This would also be of help to the public.

An important observation was that the directors who represent the shareholders on the board are burdened with the vicarious liabilities of the corporates. Similarly, creating value, or an asset for the stakeholder, also carries **concomitant liabilities for the stakeholders,** which also needs to be taken into consideration while developing and promoting the stakeholder theory.

Another observation about the boards was, "At the time of formation of a new company, the authorities examine the business proposal and only after having been satisfied, they issue licenses. Yet, after a short period of 4 or 5 years, its stakes are sold, and call it as 'consolidation'. But questions, like : what was the real problem, why did the company fail, and what was **the role of its board** never come up for discussion."

It was also argued that in order to maximize shareholders' returns, companies take risks beyond their risk appetite and consequently, land up all other stakeholders also into problem. The **conflict of interest** of some stakeholders causes an imbalance to all other stakeholders' interests.

It was cited that in the last couple of years, some AAA-rated companies (who have a theoretical default probability of only 0.01%) and even some banks are **defaulting.** This unfortunate scenario makes one think whether the 'stakeholder value creation' has still a long way to go?

In an observation about shareholders, it was pointed out that the shareholder community consists of short-term players (like nanosecond shareholders) as well as long-term players, who relate to the company for the sake of tax benefits. But both these types of players do not have any long-term interest in the company. People are interested only in the next quarterly forecast of the company to stay in or quit and **permanent investors of a company are getting** a bad deal.

Yet another observation was in support of the **short-duration shareholders,** which stated, "The fact is that there is a requirement for the short-term shareholders to continuously show interest in the company. In the absence of quarterly results, the short-term investors would not show any interest and a huge amount of information asymmetry may creep in, because of which the long-term investors would not be able to get a proper analysis of the real health of the company. The information asymmetry, once existed formerly, has now been overcome with the availability of high-frequency information and high-frequency investors."

The forum also posed some questions regarding the entire modelling of measurement of value for stakeholders during the COVID-19 pandemic. It was pointed out that the interrelations and interactions between various stakeholders of a firm are getting disrupted due to the pandemic. The employees have been affected very badly and it is going to impact the future of the entire economy. But the pandemic situation has also driven home very forcefully, the real need to cater to the other stakeholders and their aspirations.

In times of crisis, some sectors or companies need public help like direct funding or subsidies. The government has rolled out packages to pass on the burden to the society, and ultimately, to the taxpayers. Now, the whole debate is about "**Profits become Private"** and **Losses are borne by the Public –- society or the taxpayers**. It underscores the need for a mechanism to take care of situations arising out of a crisis, with equity and honesty.

Concerning 'stakeholder value creation', it was also pointed that various researches have been carried out, conceptual frameworks have been created and many companies are using some parameters for the same; but a comprehensive report or a picture is yet to emerge.

Dr. Patwardhan summed up the ideas shared by all the participants and said that relevant pointers would be useful for the NIA to take up further research and assured that it would be responsive and sensitive to the Indian conditions.

The Moderator expressed his happiness over the sharing of wide range of ideas and active participation of the forum members. In his concluding remarks, Mr Bajpai addressed some of the points raised during the discussions and said that "Corporate Governance' should no longer remain as a messaging system and the behavioural theory should be brought into play. Because any number of laws and regulations can be passed, but their enforcement by whatever means does not work to inspire people to do what they should. He strongly advocated the proposition made by Dr. Patwardhan regarding the residual stakeholders. The consideration that **the residual wealth belongs to the stakeholders** would bring about the necessary change in the thinking of the regulators also. 'Ecological degradation' was pointed out as a major concern and being unconcerned about the environment and the society would be one of the greatest disincentives for shareholder primacy promotion. He further stated that when we embrace the concept of 'value creation for all the stakeholders', the solution comes automatically."

Regarding scandals, he commented that the motivations for the actors in the sordid drama, like other economic agents, can also be so altered that they would feel disinclined to do 'that'. He said that the short-term shareholders are the real pain. They have their targets, and they use their intellectual acumen to engage with the firm and then opt out.

As regards the role of boards, Mr. Bajpai added that "the boards are mandatorily involved as they hold Power of Attorney of the owners – currently the shareholders. A recent study conducted by Harvard Business School shows that the boards are not interested in changing their approach in the management of a company as they do not accept that the enterprise belongs to all the stakeholders and they do not chnage their policies. Therefore, in addition to the framework of the regulations and the law, there is a need to create a framework for the market. If we can include the **value created for the stakeholders in economic terms** in the ambit of good corporate governance, the support from human resource (employees) and the society would become greater and ultimately, the focus of the board and the CEOs would change."

6. Discussion Session 2 on the Sub-theme : "How to Measure Returns to Employees?"

A. Introduction to the Sub-Theme

Mr. Bajpai introduced the sub-theme by sharing some data and said that one of the reasons for the inequality is the percentage difference in salary rise. He quoted that "between 1978 and 2018, CEOs and C-Suite salaries rose by 1000 per cent, whereas the salary of workers rose by 12 per cent only". He further alluded to the 'Edelman Trust Barometer Survey' research in which 37 per cent of the respondents believed that employees are the most important "factor" of production for a firm, along with the customers. He shared some additional data and mentioned that the holding period of a shareholder has come down from 5 years in 1976, to just a few months in 2015. On the contrary, the employees on average, stay with an organization for about 7 years. Hence, the engagement of human resource is both instrumental as well as conscientious

Mr. Bajpai added that in many cases, particularly in organizations where the larger purpose has been enshrined, people work not only for salary but to serve the society or for a larger cause. So it is important to examine whose skin is bigger in the game – Is it a shareholder who buys for a year, just waits for a couple of quarterly dividents and then walks away with the profit ? Or, the employees (like those of the LIC) who, most of the time do not have an option but continue to serve the organization for 30 years or more), or the society which eventually bears the liability of unprovisioned for rogue company ?

Mr. Bajpai said that if the role of the latter group of stakeholders is much greater than that of the shareholders, it is only befitting that we have a re-look at the whole question of rewarding. Hence, he posed a further question : 'Should companies consider rewarding the biggest players in the game, i. e. human resource (by training, retaining, upskilling) and the society?' Mr. Bajpai added to this important question by giving the example of managements of some organizations whose approach was transformed during the period of Covid-19 from : cash-customer-supply-chain, and then human resource, to humanresource-supply chain-customer-cash. Therefore, it is important to make sure that the employees of an organization engage with it whole and soul.

He further mentioned the four models that are being discussed in the academic circles.

- The first one being the **Dual Board** structure, where one board is managed by other stakeholders and the other board by the employees.
- The second one is the **Advisory Board** which consists of only employees and their representatives.
- The third is the **Fiduciary Representation** in which a trust is created of all the other stakeholders and their representatives who serve on the board of the companies.
- The fourth structure is the concept of **Bicameral House**, the whole idea of which is to create a methodology that the employees get the proper economical benefit. [Regarding this, Mr. Bajpai quoted the latest book, Firms as Political Entities by Isabella Ferreras (2017].

Towards the end of his introductory remarks, Mr. Bajpai stated that in her research, Dr. Chaudhari seeks to deal with both the participation and the prosperity of the mployees and how to get there, how to engage them, and how to measure them. He also revealed that she has built the monumental framework on the plinth of approach, role holders, and the expected returns. With these initial remarks, he handed over the forum to Dr. Sushama Chaudhari.

B. Academic Paper Presentation on "Measuring Returns to Employees as Stakeholders: An Integrated Approach"

The research paper was presented to the forum by Dr. Sushama Chaudhari, who began her talk by expressing her gratitude to Mr. G. N. Bajpai, Mr. G Srinivasan, and other faculty members of the National Insurance Academy for their guidance and support during her research. She also acknowledged a few interesting points from the earlier session. She expressed her agreement with the statement that 'legal framework does not bring behavioural change', and opined that 'more the rules get created, the more they are broken'. She also agreed with the suggestion that there is

a need for Indian researchers to document their theoris as they hold very different values and philosophies. She even mentioned the jugglery that exists in academic literature, stating that there is stakeholder conflict and that it comes at the cost of the others. However, she displayed her optimism by citing that stakeholder value must be upheld and enhanced still further as it progresses with the collective wisdom, and thus come out with market-ready indices to prove a point.
On that note, Dr. Chaudhari took off with an outline of her presentatiomn which included :

(a) setting up the context,
(b) giving her insights from the literature on 'employees as stakeholders',
(c) offering a conceptual framework which the NIA would like to pursue further,
(d) indicating an integrated approach based on behavioural change and motives, and
(e) pointing the way forward.

Having set up the context, Dr. Chaudhari quoted Dr. Patwardhan who had talked about the economic and political theories of the firm and mentioned that these theories shape the way a firm decides upon its purpose and mission. She quoted the interesting work done by Mackey et al.. (2013) on **conscious capitalism** that has four specific tenets – (i) higher purpose, (ii) stakeholder integration, (iii) conscious leadership, and (iv) conscious culture. Mackey et al. have tested these tenets and analysed the results of successful businesses of Google, Dell, UPS, and found that the four tenants are very important to evolve a conscious capitalism. Quoting them she said, "Individuals who manage the system if they believe in conscious capitalism, probably everyone will benefit in the process."

Dr. Chaudhari cited Prof. Rajinder Sisodia of Babson College, one of the leading colleges for entrepreneurship, whose research she had referred to, to come out with the framework which is being proposed. Referring to another popular work, The Resource-based View by Barney (1991), she said that it was established in the research that both intangible and tangible resources are equally important for competitive advantage, and, that intangible resources (like brand reputation) also form part of the financial analysis. Similarly, employees and their capabilities are the intangible resources, which, if managed well and capitalized upon, could create business success and competitive advantage.

Dr. Chaudhari also alluded to Mr. Bajpai's book, Corporate Governance (2017) and quoted the question raised in the book, 'Is the value sharing by firms with employees as stakeholders mostly contractual ?'. So, what are we doing to contribute to them and their well-being as an individual?' She further added that if one were to look at what has been done in terms of creating more value, and respecting employees as a resource, one very popular approach would be the **total rewards approach** (World at Work, 2000), in which, beyond the contractual obligations and performance, the learning and development needs of the employees are also taken care of.

Dr. Chaudhari continued to refer to the interesting researches published by various authors.

Harrison and Wicks (2013) published their article in the Business Ethics Quarterly, which provides a complete list of performance parameters. It has been established in the research that the firms which satisfy the interest of a considerable group of stakeholders can allocate more value to the organization in the long run.

Kornelakis (2018) who published his work in Business Horizon established that the reward practices should move away from shareholder value-reward to stakeholder reward, making full use of employee-voice mechanisms. Hence the caveat they have is that it depends on the kind of democracy and the kind of voices given to the employees. If that is done, probably, we are in a better position to move to the stakeholder rewards system.

A Harwad Business Review article by Ready and Truelove (2011) mentions that the collective ambition of a firm rests on carefully integrating purpose, vision, targets and milestones, strategic and operational priorities, brand promise, core values, and leadership behaviour.

Dr. Sushama also referred to Prof Isabella's (2017) book, Firms as Political Entities, which identifies firms as the conjoining of "Instrumental" and "Expressive Rationality". In the book, Ferrera has posed a very important question – 'Do employees sit at work only for the wages they receive?' When people go to work, they cease to be citizens. At their desk, they are transformed into employees, subordinate to the hierarchy of the workplace. She also argued for the employees saying that they should be treated as full citizens and the workplace is part of the public sphere and mentioned that, it is time to recognize that the 'firm" is a peculiar institution that must be properly organized to unshackle creativity and nurture democracy at work.

Based on the research papers on which Dr. Chaudhari concentrated, and various dimensions which have been brought about employees as stakeholders – from the perspective of democracy or in terms of rewards, or their well-being – she proposed a framework which can be used to measure returns to employees as stakeholders. Dr. Sushama presented a conceptual **4P's**

Framework, which, according to her, if pursued, can help in creating an Indian **rulebook** to measure the returns to employees as stakeholders.

Dr. Chaudhari emphasized that the fundamentals of what defines the **cornerstones to measure returns to employees as stakeholders** is the **'purpose of the firm'**. This is so because the 'purpose' is probably the seed and the mother of the entire firm's development. She proposed **protection, partnership, prosperity,** and **position** as the 4P's of the framework.

Talking about **'protection'** as a measure of returns, Dr. Chaudhari stated that there was no better time to discuss this aspect of returns to employees than the mysterious covid pandemic period when the entire world is battling the virus, jobs are being lost, and more than jobs, probably it is the sense of hopelessness and uncertainty which weighs very heavily on peoples' minds. Hence, if we believe that the residual fund belongs to stakeholders – if not in full measure, but at least in part, can we create certain funds to take care of the issues like redundancy, disruption, re-skilling, and up-skilling of the employees? She argued that the people who can contribute to this are the role holders – employees, managers, unions (wherever it is applicable), and the entire organization. She emphasized that protection is very important because it is in a way taking care of the risk. Hence, she raised several relevant questions, which she intends to explore in the second part of her research, like – How can we do that? Is there any company that is doing it? How is it impacting their business and sustainability?

Talking about **'partnership'** as a measure of returns, Dr. Chaudhari stated that the aspect of partnership is not just about decision making. The decisions taken by the managers, owners, and CEOs impact the employees, customers, and the society as well. Hence it is imperative to recognize what kind of voice we give to employees? What kind of structured mechanism exists? Are some meetings conducted for at least those critical decisions that impact people? How have diversity and inclusion been integrated? Can we look at diversity and inclusion in terms of more democracy and give voice to people? The role-holders, she said, remain the same in this aspect also. What would probably help in bridging the gap between owner, manager, employees? Dr. Chaudhari shared that a lot of literature is available on how much distinction creates issues in terms of conflict, disengagement, and other problems. She also believed that it would lead to employee engagement and the best practices can be sorted out democratically.

Further, she talked about **'prosperity'** as a measure of returns. Here, Dr. Chaudhari quoted Mr. Bajpai and said that, executive compensation has risen by 1000% and employee compensation by 12%, and added that for an organization, the ecosystem is the employee, family, community, and society. So, when the organizations are doing well, she asked, "Are the people, employees, and the entire ecosystem around them getting any benefit?" If yes, then, what kind of well-being programs help in achieving this? If not, then, what kind of well-being programs can be created where employees could impact the entire ecosystem? She added that we need to measure if organizations have those kinds of well-being programs, where not only health insurance, social security, and pension, but the entire ecosystem is taken care of.

Lastly, she talked about **'position'** as a measure of returns and said that measurement is important because that puts things in perspective. She identified the benchmarks to include returns to employees as a 'Composite Index' of engagement, happiness, and well-being. Dr. Chaudhari added that these indices can be compared with the industry-specific indices and hence it can be identified where respective companies are positioned.

Dr. Chaudhari opined that putting the four cornerstones together in a framework might help in measuring the returns to employees in a better way. The fundamental reason is motivation, for which she quoted the research by Aguilera et al. who had proposed a framework in 2007. They studied the companies whose employees got very enthusiastic about participating in corporate social responsibility, exhibiting the potential to exert positive social change. For this, they listed out three motives:

(a) **'Instrumental motive',** where people do something when their need for control is met;
(b) **'Relational motive'** when the need for belongingness is met;
(c) **'Morality-based motive',** when the values are met.

Comparing Aguilera et al.'s model with the 4Ps framework, Dr. Chaudhari clarified that the framework takes care also of all the three motives abiove, and, therefore, the proposal for an integrated approach.

She concluded the presentation by saying that it has been empirically proven that the employees of a firm create wealth out of other resources. Hence, an integrated approach to measure the returns to employees as stakeholders with the four cornerstones, viz. (i) protection, (ii) partnership, (iii) prosperity, and (iv) position, with an underpinning of the firm's purpose is proposed. The preposition of employees becoming both contractual and residual stakeholders will ensure substantial protection of human resource against job losses, skill redundancies, etc., created by market forces, economic upheavals, obsolescence of organization design, products, and services. Fostering partnership, inclusion in broader decision-making with employees as a group

under the principle of ownership will promote deeper commitment leading to enhanced value creation. Sharing prosperity as a residual stakeholder via the stakeholders' fund ownership will architect the broader well-being of individual employees, their families, and the communities. Providing the employees a place of engagement with dignity, and nurturance is likely to enhance self-esteem, a sense of pride and achievement, and will support them to optimize productivity.

Finally, Dr. Chaudhari shared how she proposes to take the research forward. She recommended developing indices to measure the returns to employees as stakeholders based on the 4Ps framework, which will have to be broken down into measurable indicators. She also proposed to conduct qualitative research (which will be through interviews with people who are experienced and who have spent years in managing and building businesses and institutions), and quantitative research to study the impact of indices on a firm's sustainability and business performance. She also quoted a very recent work by Kenny Graham (2020) which states that **"measuring performance is measuring relationship"**.

Dr. Sushama ended her presentation with a quote from Sadhguru who says, **"Nature has given you a sense of individuality. But life does not happen as an individual. Life is happening as one whole."**

C. Open House Discussion and Key Take-Aways

After the presentation of second paper , the Moderator, Mr. G. N. Bajpai, congratulated Dr. Sushama Chaudhari for her excellent paper presentation, which was no doubt exceptional, and welcomed the forum to ask questions, share ideas and contribute their thoughts to build upon the discussion. Inspired by the research paper's theme, the forum enthusiastically contributed to the open house discussion and shared their ideas, views, and also put forth their questions.

The participants congratulated the National Insurance Academy for conducting the colloquium with the august body, and for the thought-provoking presentation by Dr. Chaudhari, which prompted quite a few questions.

The discussion began about the varied literature on stakeholders, particularly internal stakeholders. Three major issues/questions were pointed out concerning the internal stakeholders which need to be taken into consideration. The first question raised was, Are we commodifying the employees and treating them as a commodity rather than acknowledging their contribution? Second, Are we

looking at a change in the structure of the workforce? This issue came to the fore because the structure of organizations as well as the workforce were changing due to the pandemic. Hence it is the time for organizations to look at and introduce innovative ways to employ the workforce effectively. The third is the environmental turbulence which needs to be taken into consideration.

It was also pointed out that the creative development of employees has been more cultural than structural. Hence most of the organizations assume that 'the employees are going to stay with it'. However, to a greater extent employees (especially the young generation) wish to ensure that they are contributing. Simultaneously, they may want to move forward to better themselves, and be with an organization where and to which they can contribute even more effectively. They may not want to stay in one role for very long. Hence the whole structure and culture of organizations need to take into account the new life skill that's coming out, and perhaps the organizations need to look at short-term contributions and move employees into constantly changing roles which would be more motivational for them.

One participant shared some statistics saying, "Out of the 450 million labour force in India, more than 50% are illiterate or only possess primary education, 50 million have secondary education, 7.9 million underline the vocational training and a mere 10.5 million fall under the category of technically qualified." Hence the question is , Should we not skill our workforce to meet all the challenges so that we have a strong beginning, though delayed, that will help our country become a global power?

Referring to the past studies it was stated that the organizational environment plays a very crucial role in influencing all the four pillars mentioned in the presentation. The organizational culture shapes the employees' perception and their performance. Similarly, prosperity and partnership are influenced by the management directives as well as the type of environment. Hence, is it conducive for the employees to contribute towards the stakeholder approach or just add value to the organization?

It was opined that the aspect of 'integrity' should also be emphasized upon in the four-pillar model, as today even some of the smartest people are hackers. Hence, employees must learn not just to be smart but also ethical.

Another thought shared was about the quality of inputs. It was said that an intellectual workforce was extremely difficult to get, as the bargaining power of people who have specialized skills is

usually very strong. Moreover, the youngsters are neither interested in the long-term, nor the issues of sustainability, nor corporate social responsibility, but in the immediate returns that they can bargain and get. There is very little commitment from them to the long-term goals of an organisation or the society.

Adding to the observations of earlier participants on dealing with the youngsters of today, it was observed that if a youngster, of say 24 years, has an attitude of making quick gains for himself and does not have much concern about what should be his contribution to stakeholder value creation, there could be a grave social problem in the society which is being overlooked. It was therefore asked, 'Have we, as a corporate body, or as a society, failed in our duty to encourage youngsters to contribute to the organization by way of staying with the organization for some time, rather than looking for quick bucks only?' On the flip side, the youngster's role in stakeholder value creation was also probed by questioning, 'Should it only be that the Corporation provide them opportunities? Should it not be a two-way traffic 'contributuon' ?'

Another perspective that was put forward was that we need to relate the four-pillar framework (especially the 'purpose' part) with the general values (economic, social, safety) that people might be looking for, the attainment of which would help in reaching the highest level of what they wish to do in their life. At the same, it was emphasized that the 'purpose' of the organization is very important, and should be aligned with its vision, mission, and goals. For example, if a young employee's purpose is important at that stage of his/her life, one would stay, else one would move on. Hence, it is important to understand what values are formost in the minds of the younger generation of employees.

Brining in a practitioner's perspective, an expert added that 'there are no two ways about including employees also as stakeholders, but, how do we measure their role and contribution? The future of work is not going to be like that of the last five decades. A youngster may not work for one company, but may be for four or more companies as a freelancer. Attrition. That is the future of work! So, while we look at making them stakeholders, we also need to look at enabling them, to reach up to the stakeholder level and make them responsible or aware of their stakeholder responsibilities.'

It was suggested to add one more P- 'Preparedness' in the four-P framework in the context of both employee as well as the organization, to understand how prepared the organizations are to meet the emerging challenges. This will help in creating an ecosystem that will be much more helpful for the organization.

Another observation was that an employee is as good or bad as the tone set from the top. The onus is on the organization's management to set the right or desired tone and tune the culture. There was also a differing opinion about the current generation of youngsters. It was opined that the youth of India are extremely conscious about the environment and sustainability. The expert quoted studies and anecdotal pieces of evidence that show that today when youngsters choose organizations, one of the criteria is how conscious that organization is about environment and sustainability. Hence the young consumers and employees are extremely conscious and socio-concious driven people.

Specifically talking about the commitment of younger employees, it was remarked that the period of stay of a young employee in an organization is mostly uncertain. However, organizations have not charted a clear road map for them. At the time of joining, the fresh recruits do not know where they will be after 10 years in the organization. Simultaneously, the organization narrative is equally important, and the tone needs to be set right through an attractive career path vith a view to retain them.

It was pointed out that organization culture plays a pivotal role in shaping an employee. The need for value creation, providing cultural input, and training of young employees must come from the top, and not from the bottom. Hence it was stated that people who get the right bosses, prosper in their career. They will then understand the leadership culture in the organization and opt to stay.

One thought-provoking submission was that to create and retain human resource as 'capital', the organizations must make sure that employeees are engaged. Because the organizations which can provide an open and engaging environment are the ones that can show that their human capital is valuable. However, the important question was, 'How can we make sure that the young workforce (which is committed, engaged and very much involved in environmental issues) feels that they are contributing to creating the reputation of the organization as a future-ready organization?'

Talking about the role of employees as stakeholders, another interesting question that came up was, 'If the employees as stakeholders are contributing, what is yardstick employed to measure it so that one can know that they are contributing to the prosperity of the organization?'

Endorsing the young generation, an appeal was that the onus of adjusting into the organization is not only on the younger employees, but the organization also must continuously change so that

they can keep attracting and retaining that talent. To make sure that the employees stay excited and continue to contribute, organizations need to allow them to continuously grow, learn, and improve by reskilling.

It was suggested that the proposed model which talks about 'expected outcome' may deal with the 'desired outcome from the employees, as well as the desired outcome from the organization' and provide a linkage between the two.

The concept of 'dynamic discontent' was proposed, which may help in strategic thinking, work transformation, and hence produce better results. According to this concept, if going beyond the ordinary is instilled in the minds of employees, the organization's total output would increase. That is, if there is discontent permeating in the minds of the employees about their performance, it would give rise to dynamism and innovation. Chasing the dynamic discontent will result in better performance.

Few more interesting questions emerged due to the advent of covid-19 pandemic. Most of the organizations have been forced into survival mode and they are struggling because their revenues have shrunk. Hence, how do organizations take care of the employees and other stakeholders who do not have any say in the decision-making? Where do the cohort of people, who were former employees, and workers in the unorganized sector fit in - as a member of the society or as an employee group?

The discussion ended with an interesting view on the theme of measuring returns to the employees, that organizations must mandate and emphasize professional training and executive education of employees across all levels. There should be allocation of funds and efforts, as well to build an intellectual property that can be owned and used by the organization.

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At the end of the open house discussion, Dr. Chaudhari thanked all the participants for theie valuable interaction. To encapsulate the gist of the discussion, Dr. Chaudhari said that the ultimate focus remains the ecosystem and we should take care of the 'gig economy' because that is also a part of the ecosystem. She also acknowledged with thanks the ideas that she got through all the discussions and deliberations in the colloquium as they would help in strengthening and furthering her research work.

Summing up, the Moderator, Mr. Bajpai stated that a very important consensus has been developed during the discussions, that is about the employee engagement. If the employees are engaged, they will deliver their best. This is because human resource is not just another static input resource or commodity or means of production that is used as raw material. They are living human beings! They are receptive not only to the allurements of temptation but also subject to human emotions. And therefore, unless they are treated as partners in the game of life, partners in prosperity as well as in misery, how are they going to change their attitudes and behaviour. During this period of covid-induced distress, most of the organizations have given their first preference to 'employees' because they feel that if they are there, the organization would survive. He further quoted one of the participants who had said that we must let go of our prejudices, our unconscious biases.

The consensus that emerged during the discussions is (a) We must treat employees as the stakeholders in the organization; (b) If organizations have a larger purpose, employees would identify themselves with the objective. Therefore, the best way to transact with employees is not with the yardstick of transactional relationship but as bothers/sisters with long-term stakeholder affinity.

Hence the employees are a very important stakeholder segment, if not the most important. Therefore, they must be treated so, and they must become residual stakeholders.

Mr. Bajpai in his closing remarks requested the participants not to disengage from the colloquium, but to continue sharing their suggestions and ideas. He congratulated the Director, NIA, and his entire team. He opined that the global community today is facing two critical issues. First and foremost, the question of inequality. But how can the groups across the social, economic, and political divide get closer and liked so that the current reality of inequality can be dealt with equitably? If shareholder primacy has been one of the causes, how do we deal with it and what is going to be the appropriate approach – economic, regulatory, managerial, or, a combination of all these to produce the expected outcome?

Lastly, he stated that if the firms are the creators of wealth, shareholders cannot be the sole repository of the entire residual wealth. They will have to necessarily be sharing it with other stakeholders who, right from the beginning till the end, would be participating in the generation of wealth. The Moderator once again thanked everyone for participating in the colloquium.

Mr. G Srinivasan, Director, National Insurance Academy, in his closing remarks assured the Forum that the Academy will deepen the study of the themes of the Colloquium and organise similar colloquiums to share the wisdom and knowledge with all the stakeholders.

7. Colloquium Outcome

The discussion during the colloquium generated many novel ideas on how to transit from shareholders' to stakeholders' Capitalism. The organizing team is now required to advance the research, validate the ideas through further in-depth research, develop models and frameworks for propagating the stakeholders' primacy theory and identify toolkits for the industry for creating value for all the stakeholders.

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