

**The Role of a Professional
in Society**

Y. H. Malegam



FORUM
of 'Free Enterprise

"Free Enterprise was born with man
and shall survive as long as man
survives".

-A.D. Shroff
1899-1965

Founder-President
Forum of Free Enterprise

Introduction

Mr. Y.H. Malegam, one of our most eminent professionals, delivered a highly inspired valedictory address at Forum's Annual Residential Programme on Taxation at Khandala in August 2006.

In the address he has very rightly emphasised that mere functional expertise is not enough to be a highly successful professional accountant in today's globalised world. Domain knowledge, though vital, must be combined with commitment to honesty, integrity and objectivity.

His very well reasoned speech carries great credibility, coming from a person who enjoys a impeccable reputation in the business world. His comments are all the more refreshing as they are addressed to professionals at large and not only to accountants.

In a developing society professionals must be the torch-bearers of high morals and values. They have to set the pace for other stakeholders in our society. This is the essence of Mr. Malegam's message.

We have immense pleasure in publishing his discourse.

Minoo R. Shroff
President
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The Role of a Professional in Society

Y. H. Malegam*

At the outset, we need to be clear as to the qualities which make a professional. An IFAC Study, "The roles and domain of the Professional Accountant in business" gives, I believe, a reasonable basis for distinguishing a professional. It lists three major qualities.

First, the possession of skills, knowledge and expertise tested by examination and continuously developed in a structured and monitored context.

Second, commitment to the values of accuracy, honesty, integrity, objectivity, transparency and reliability.

Third, being subject to oversight by a body with disciplinary jurisdiction.

We need to concern ourselves today only with the first two qualities.

The professional does not merely discharge a function. He is the owner of a discipline and therefore, his responsibilities go well beyond the responsibilities of the function he discharges. He

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has a responsibility not merely to satisfy the needs of an individual client or employer but also a responsibility to himself, to obtain satisfaction for the work he does and to the public interest, to ensure that the public interest is safeguarded. He can discharge these additional responsibilities only if he creates sustainable value.

As the qualities identified in the IFAC study suggest, the professional has to submit himself to a continuous process of self-development, I would like to suggest that this process is not different from the process by which an organization develops its executives and nurtures talent within the organization.

There are two interesting articles on this subject in the McKinsey Quarterly publications which provide some revealing insights into this process.

In the 2000, No. 1 quarterly issue, there is an article titled "How executives grow". This suggests that there are four major factors which facilitate such growth.

First, executives should have head-room, that is, authority and responsibility and elbow room, that is, scope and variety.

Second, they should not be static in one position but should move through a series of challenging jobs within the organization.

Third, the series of jobs should provide a range of challenges. There is even a suggestion that the best qualified person should not always be appointed to the job but rather, a slightly lesser qualified person can often be appointed to give

him the challenge and to foster development within the organization.

Finally, executives should learn from their more highly skilled colleagues.

The second article is titled "The psychology of change management" and appears in a Special Edition in 2003. It lists five qualities which successful executives demonstrate.

First, they believe in what we are doing. That is, they have a passionate commitment to their jobs.

Second, they realise that they cannot learn about a subject in one session. That is, their learning process is continuous and extended over a long period of time.

Third, they absorb information more thoroughly when they go on to discuss with others what they have learnt. That is, the sharing and imparting of knowledge is an essential part of knowledge acquisition.

Fourth, they model their behaviour on "significant others" whom they see in positions of influence. That is, they have "role models" within and without the organization.

Finally, the "role models" have a deep and permanent influence only if such role models are confirmed by the groups who surround them. That is, the "role models" are not merely their own role models but role models who are also appreciated by their colleagues.

These studies suggest that there are certain practices for personal development which we as

professionals, whether in practice or in industry, can usefully employ.

First, we need to be more mobile in our activities. We tend often to over-specialize and thereby drive ourselves into a groove. Perhaps there is merit in frequently changing jobs and responsibilities within our organizations whether it be industry or professional practice.

Second, we need to communicate more with our colleagues and our peers. I have found in my firm that younger partners developed faster when they were given the opportunity to play leading roles in partners' conferences and speak freely on terms of equality with their seniors. I personally have learnt a lot from such interaction.

Finally, the identification of a 'role model' whom we can try to emulate is certainly worth exploring.

The second distinguishing feature which the IFAC study identifies in a professional is his commitment to a value system. High ethical standards are essential not merely for professionals personally but also for the organizations in which they work.

A third article in the 2003, November 2 issue of the McKinsey Quarterly titled "Company Philosophy" suggests that businesses with high ethical standards enjoy significant advantages as compared to organizations which have lower ethical standards. There are three significant advantages which we may note.

First, persons working in such organizations display greater drive and effectiveness because they know

that they can do the right thing decisively and with confidence.

Second, such organizations attract high calibre persons more easily and thereby achieve a competitive and profit edge over their competitors.

Lastly such organizations develop a reputational advantage, that is, they develop better and more profitable relationships with customers, competitors and the general public because they can be trusted to do the right thing at all times.

While I have no doubt that, as professionals, we are all concerned with developing the qualities which I have enumerated, I have a suspicion that there is another aspect of our role which is often neglected.

It is not often that one gets a captive audience to say unpleasant things to and I trust you will forgive me if I take this opportunity to refer to a few issues.

There is a story of a country bumpkin who visited New York for the first time and wanted to cross a street. Not knowing the existence of a **sub-way** he waited for the constant stream of traffic to stop. After waiting for about an hour, he got desperate and seeing a man on the other side of the street, he shouted to him to ask how he had managed to cross the street. The reply was "I didn't. I was born on this side of the street".

I am afraid we are like the man who was born on his side of the street. We are overly concerned with what happens on our side of the street - the corporate world - and wholly ignorant of or indifferent to what is happening on the other side

of the street. But that side is very relevant for the sustained well-being of our economy.

There are two aspects of this other world which we need to recognize - the level of poverty and the spread of corruption.

Some of the statistics regarding the extent of the gap between the privileged and the under-privileged in our country are quite disturbing.

- (a) Though we have a fairly high rate of economic growth and though the proportion of the population below the poverty line has sharply declined from about 50% upto the mid - 1970s to much lower levels, even today, almost one out of four Indians lives below the poverty line.
- (b) In the major cities, one out of three does not have proper shelter and in India as a whole one out of six Indians does not have access to a sustainable source of drinking water.
- (c) We boast of some of the finest educational institutions like our IITs and IIMs but one out of every three Indians is illiterate. There is one dimension of this problem which should need our attention. We are often told that given our rate of growth of population and the relatively young age-group of a significant part of the population, India will have by 2020, the largest working population in the world. This is seen as a demographic advantage. But we need to recognize that our growth of population is in the very states - Bihar, Orissa, Eastern U.P. and parts of West Bengal - where growth rates and levels of

illiteracy are highest. Unless therefore this large working population in these states is quickly made employable, our demographic advantage could become a demographic disaster.

- (d) The health gap between the rich and the poor is large and is growing. In 1998-99, the under-five mortality rate was 46 per 1000 for the richest quantile while it was 141 for the poorest. In respect of in-patient care in hospitals, the ratio of average expenditure for the richest as compared to the poor in urban areas was 4.0 in 1986-87. It has increased to 15.0 in 1995-96.

Equally disturbing is the continuous spread of corruption. In a recent book, Dr. Bimal Jalan, former Governor of the Reserve Bank of India has devoted a whole chapter titled "The Supply and Demand of Corruption" to this topic. Among the points he makes, we may note the following:

First, the most repugnant aspect of corruption in India is not that it is there, nor that it is pervasive, but that it is accepted as an unavoidable feature of Indian life.

Second, corporates in India often argue that they can either survive by lowering their standards of ethics or remain upright and perish. And they choose to survive and thrive by participating actively in corruption on the grounds that it is the only way to get their business done.

Third, in addition to the wide acceptance of corruption as a necessary evil, another area of grave concern is the interlocking or "vertical

integration" of corruption at various levels of the government hierarchy--elected politicians, higher bureaucracy and lower bureaucracy. Incidentally, it is interesting to note, in this connection, the words of Dr. Rajendra Prasad in his concluding address as the President of the Constituent Assembly which framed our Constitution. He said "In India today I feel that the work that confronts us is even more difficult than the work which we had when we were engaged in the struggle. We did not have then any conflicting claims to reconcile, no loaves and fishes to distribute, no powers to share". Who can say his worst fears have not been realized?

Fourth, along with vertical integration of corruption at various levels of the executive branch, there is also horizontal spread of corruption to other public institutions, including legislatures, parts of judiciary, media as well as independent professions. This has made the prevention and control of corruption even more difficult. I would particularly like you to note Dr. Jalan's reference to independent professions.

When our own perception of corruption is confirmed by a person of Dr. Jalan's eminence and experience, one needs to give serious consideration to the problem.

Dr. Jalan goes on to discuss the economic effects of corruption in the context of a research study by the IMF on the subject and other empirical research studies. These studies show that corruption has a significant negative impact on the ratio of investment to national income and that in countries where corruption is widespread, a reduction in

corruption by say 50% can increase the growth rate by 1.5%.

Dr. Jalan states that India achieved an average GDP growth rate of 6% in the 1980s and 1990s and he believes that, if there had been no corruption, the growth rate would have been around 8%. The incremental 2% would have been the most significant factor in the rapid elimination of poverty.

To Dr. Jalan's analysis, one can add a further dimension. The ultimate tragedy is that in our economy, it is possible to pass on the cost of corruption till it comes to rest with the section which does not have the ability to pass it on. The ultimate cost of corruption is therefore borne by the poor - the section of our population which can least afford to bear it.

It is these considerations which I had in mind when a few weeks ago Mr. S.S. Bhandare* and Mr. S. Divakara* came to see me and asked me as to what I thought should be the future focus of the Forum. I suggested that the focus should shift from propagation of "free enterprise" which has been largely achieved to the propagation of a "free democracy". And a free democracy cannot exist unless we attack the two spectres of poverty and corruption.

At the Forum's 50th anniversary function, Mr. Bhandare quoted the off-repeated comment

*Mr. S.S. Bhandare, editor of Forum booklets, and Mr. S. Divakara, Director-General of the Forum, had met the author in connection with a publication planned to mark Forum's Golden Jubilee.

that if at the age of 20, a person is not a socialist he needs to have his heart examined but if at the age of 40 he remains a socialist he needs to have his head examined. I would equally suggest that at 20, most of us are idealists but by the time we reach 40 most of us are disillusioned.

I believe, as supporters of the Forum and as responsible citizens, we professionals have a significant role to play in preventing this disillusionment in the youth of our country.

Firstly, we need to be more pro-active and less re-active to Government policies. I would have liked a seminar of this type to devote some time to the aspect of better tax administration and the removal of unintended loop holes and to advise the Government on these issues. Such a measure would greatly advance our credibility.

Secondly, we need to follow Mr. M.R. Pai's* example in our day to day life. We often tend to take the easy course. We need on the contrary, at all times to compel public officials to perform their duties even if it means considerable personal inconvenience.

Third, we need to conquer our fear that doing the right thing will result in our losing our job or our client. For a professional that is a wholly irrational fear. Many years ago, I had occasion to interview a young chartered accountant for the post of Finance Director of a sick company which was being restructured. In offering him the job I expressed

*The late M.R. Pai was one of the builders of the Forum and was associated with it from 1956 to 2003.

my concern that he was giving up a good job to take up a job in a concern whose future was uncertain. His answer impressed me. He said his only fear was that the Company would collapse before he completed the job. As far as his own career was concerned, he had no fears. As a professional he had confidence that he could always find another job.

Fourth, we must leverage our position as senior executives in companies and as their advisors to create a more ethical environment through emphasizing the benefits of reputational management and must encourage companies to undertake greater community service initiatives.

Fifth, as professionals we are often too much concerned with answers. We need to be more concerned with questions as to why things are the way they are. Perhaps in the very asking of these questions, we may find some of the answers.

In the final analysis we need to recognize that the norms of society are always determined by the norms of the dominant element in society. As professionals we are part of this dominant element and can become role models for a large part of society. Therefore the norms we adopt and the manner in which we conduct ourselves will largely determine the norms of our society.

The views expressed in this booklet are not necessarily those of the Forum of Free Enterprise.

"People must come to accept private enterprise not as a necessary evil, but as an affirmative good".

-Eugene Black

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The Forum of Free Enterprise is a non-political and non-partisan organisation – started in 1956, to educate public opinion in India on free enterprise and its close relationship with the democratic way of life. The Forum seeks to stimulate public thinking on vital economic problems of the day through booklets, meetings, and other means as befit a democratic society.

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