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Madhav Mehra left his cushy job at the Ministry of Railways Indian Railways in 1988 to devote himself to issues of social responsibility, corporate governance and environment.

The current president of the World Council of Corporate Governance was in Lisbon at the invitation of ISCTE and the law firm Cuatrecasas, Gonçalves Pereira to speak at GIRA 2010 international conference on social innovation, environmental responsibility and corporate governance. In the post-crisis, says the expert, companies are making an effort for transparency and want to relate to the market more constructively.

Two years after the bankruptcy of Lehman Brothers, which was a milestone in the 2008 financial crisis, something changed in terms of corporate governance?

I would say that some lessons were learned. There is a considerable movement of companies that are more responsible in terms of social, environmental and economic, and at the same time, trying to improve in terms of transparency. The crisis arose because everything in the market was opaque, nobody knew what was going on.

Then there is a movement to improve the transparency?

I think there is a very strong movement in that direction. Take the case of Hewlett-Packard (HP), the largest information technology company in the world, which fired its chief executive [Mark Hurd, who was accused of sexual harassment], mainly for not being totally honest in the process that involved . However, there are still companies reactionary, as the case of Oracle, whose president, Larry Ellison, who hired him after this leave HP. It is true that Mark Hurd hasturned HP for better business terms, but the company realized that ethics is essential. Today there are millions of interactions between users of Facebook, for example, and if they feel deceived, they can destroy a brand. Companies realize this and want to relate to, more constructively, with the market, its customers and other stakeholders.

The companies that are changing because they do it willingly or by fear?

It is not easy to change. Most of the top management of companies have over sixty years. But changes are occurring gradually, with the entry of younger people and more women. Take the case of the United Kingdom where, ten years ago, five percent of boards were women. Today that number is 11 percent. Women have a different mentality.

Do you think business schools have responsibilities in crisis?

Absolutely. Now they are registering some changes, but their teaching models, linked to the short term, created people, dubbed leaders, who were anything but patient, humble, virtuous and good listeners. The idea was to show that success was so easy that it reached from day to night, knowing that in an environment as uncertain as the economy, there is nobody that has all the answers.

He spoke of the consequences of short-term thinking. What do you think should be done in the case of quarterly reports?

I think the quarterly reports should be abolished, as they exist. Should serve as transparent, but become so opaque as possible. I think companies that hid bad indicators should be heavily penalized in a greater degree than the values they had hidden. The purpose of the quarterly reports should be to show how companies have dealt with the problems that arose, how it managed the risks, be they economic, ethics, environmental, etc.. If they failed, how they think better. As Confucius said, what matters is not the constant success, but how we rise after falling. And it also has much to do with the ability to innovate.

The high salaries are an obstacle to transparency and proper accountability?

Yes, when inserted in the logic of greed. There must be a relationship between wages and effort, we need to develop accurate models. The bonus must remain in a logic that can be calculated and paid on the form of assets related to the company as actions, and maintained for some time in the possession of the person.

The corporate governance is very much based on principles, recommendations and not rules and obligations. That should be changed?

Recommendations should be, with features such as the development of managers, diversity, dismantling the status quo, dialogue, transparency, etc.. What's wrong with the rules is that there are always ways of getting around. And the truth is that no one ever made history by enforcing the rules. One difference between leaders and others is that some create new paradigms, which are then followed by managers. In terms of corporate governance that matters is that you believe what you practice, and that there is developing a lie. And often we think we need to create new rules, when what is really needed is to make existing ones are actually implemented and enforced.

It is necessary for regulators to keep tabs on the desired transparency?

There must be an increase in regulation. Needs to be stronger and more frequent. In the United States speaks a lot about insider trading [use of confidential information for their own benefit] and there were even cases like Martha Stewart who was arrested. The UK does not hear of cases like this.

Reinforcement is the key.

For you, what are the fundamental principles of good corporate governance and those which, if followed, would have prevented the collapse of the markets?

First, the composition of boards of directors. We did a study that focused on the UK and India and concluded that, on average, managers fall into four or five different boards. I argue that they should not be allowed. There are people who are part of more than 23 governments and a long time. Then the CEO and chairman be two different people, which does not happen in many companies. Finally, one of the principles of corporate governance that I advocate is diversity. We can not have people who only attended the same school of management, or just men. The less diversity there is more familiarity there and it is sometimes detrimental.

How do you reverse that paradigm? Many companies only recruit graduates of three or four colleges, in a universe of dozens.

Too bad. We can not say that the American management model is the best model, we need to open people's minds and that is the role of schools. We need leaders who can think freely. Business schools are closing the minds of future managers. Furthermore, I believe that by forcing students to pay a fortune to study one of these prestigious universities is to develop a culture of greed.

Companies need independent directors?

No, need managers with an independent spirit, who can think. Most only go to meetings to receive the check at the end of the month.

Are a kind of trophy that shows when someone visits our home.