

Management Fundamentals in Kautilya's *Arthashastra* – VI



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The Running of an Organisation

Kautilya emphasises that the foundation of an organisation is its financial strength, its economy. No good organisation or country can run effectively without having its economy in good condition. Kautilya's *Arthashastra* makes many references to the methods of management of an organisation. They can be broadly classified into three:

1. What a leader should know
2. Handling the employees/people
3. Keeping a good accounting system.

1. What a Leader/King Should Know

Arthashastra gives prime

importance to the economic aspect of a state. He says that wealth is the foundation of a nation. Bhishma in the *Mahabharata* also says that *artha* is the foundation of this world, and spirituality is the foundation for that. Even spiritual organisations require the support of strong finances to carry their noble messages across the globe. A leader should understand this first.

“The objective of any king (leader) or state (organisation) is to create, expand, protect and enjoy wealth.”

There are various dimensions to wealth. It is not enough just to create wealth; a leader should also know how to expand and protect it. A good businessman is not satisfied with just what he gets; he has an industrious spirit to expand what he has got. He needs to have the drive to produce more wealth.

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Next, he should know that the wealth earned has to be protected as well. Otherwise it would be like a vessel which has a hole in its base. We may go on filling the vessel, but due to the hole, all that is put in it leaks out. The net result is 'zero'.

Having protected the wealth he earned, he should also know how to enjoy it. This is true even at the individual level. The prime responsibility of the head of a family is to earn bread and butter for his family. Not stopping with that, he has to expand, that is, earn more money for a comfortable living and the higher education of his children. He also needs to protect his hard-earned money in good investments. Finally, he has to know how to enjoy the wealth he has earned by using it for himself and others. Spending of wealth in the right directions is as important as earning it. Or else we would just become misers, without knowing what to do with the wealth earned.

“Be ever active in the management of the economy, because the root of wealth is economic activity; inactivity brings material distress. Without an active policy, both current prosperity and future gains are destroyed” (1.19.35,36)

It is important to be active in the management of the economy. Activity brings wealth. Can you imagine an organisation that is lazy and also rich? Without continuous activity, whatever is earned will be dissipated, without leaving much hope even for future wealth.

2. Handling the Employees/People

There can neither be a leader without followers, nor a king without subjects. Having earned enough wealth and knowing the strategies of how to handle it, he also has to understand how to handle people.

A good leader is first a good 'people' manager. Without knowing how to handle people, he cannot run the organisation properly. Understanding people

is to understand their minds. People have different temperaments, attitudes and mindsets. How to handle each one is a study in itself. Among the most famous of Kautilya's theories is the one known in today's corporate world as the 'Theory of Motivation'.

Theory of Motivation

- Saama* – counselling
- Daana* – offering gifts
- Danda* – punishment
- Bheda* – separation

This theory is used by Kautilya in various areas like the running of a state, making a plan for warfare, passing judgments over criminals etc.

Let us see an example to understand the application of this theory in today's corporate world. You may find that one of your employees is not working properly. The first step that you take is to speak to him and try to understand him. This is *saama* – counselling, the preliminary round of discussion. Most of the problems in life start due to lack of communication. Once we sit down across the table and discuss things straight, many issues can be resolved.

However, some employees are such that they never listen

to good advice. Then we need to use the second method - *daana*, the offering of gifts - 'If you do this I will give you that.' Incentives, promotions, a good vacation, raise in pay etc. are offered by various companies today to motivate employees towards better productivity.

Well, some employees do not get motivated by external benefits. The leader now has to take corrective action. He has to start using punishment. This has to be implemented to continue to retain control. The punishment can be severe or mild, depending on the situation.

If punishment does not yield the desired result, one has to resort to *bheda* or separation. 'Divide and rule' is a very practical and effective way of handling certain difficult situations. In the Indian context the phrase 'divide and rule' has gathered a very negative meaning because of its association with the policy adopted by the British to subjugate India. However, the policy of 'divide and rule' can be used creatively for the welfare of the very people concerned. For example, if two students are very noisy and troublesome together, the school teacher separates them and seats them far away

from each other so that they will be attentive and learn the lesson well. In the organisational context, sometimes a single individual can become a negative force by creating a small coterie around him with his personal charisma and ability to influence people to his way of thinking. This can be handled by geographical relocation, or allocation of duties in different departments, or promotion of one or more of the group to a different role of responsibility demanding their energies in a different direction altogether, thus weakening the negative force of the group. Here the separation of the group of people actually unifies them in the cause of the organisation. Finally, if none of the above methods work, one has to resort to the removal of the person from the organisation altogether.

Punishment

We may wonder if it is necessary to punish at all. Parents have this conflict while dealing with their children. Kautilya says punishment is necessary, but it has to be just and within the right limits. One of the other names of *Arthashastra* is *Danda Niti*, the art of punishment.

“The king, severe with the rod

(punishment), becomes a terror. A king with a mild rod is despised. The king who is just with the rod is honoured”. (1.4.8-10)

Punishment does not mean that you have to become a Hitler, and kill indiscriminately just to prove your strength and power. A king who is very severe with the rod becomes a terror. However those who do not punish at all, are not taken seriously. The one who is just is honoured by one and all.

What happens if the king does not punish at all?

“If the rod is not used at all, the stronger one swallows the weak in the absence of the wielder of the rod.” (1.4.13-14)

If the king does not mete out just punishments, the people working under him will take things for granted. They may appear to be working, but in course of time their productivity will go down. The most delicate part is that the people in the higher rungs may misuse their powers when the king is absent. It is likely to become like the law of the jungle without any control. The strong will swallow the weak. The whole legal system may end in a state of crisis.

“He (leader) should constantly hold an inspection of their work,

men being inconsistent in their minds". (2.9.2-3)

The human mind is unpredictable. It can slip from its balance at any moment. It is very necessary for a leader to regularly inspect each one's work. This can be done by checking reports every now and then. He can organise a good Management Information System (MIS) for creating records. But he should not be totally dependent on reports alone. He needs to keep a physical check on each activity happening at the ground level. Meeting even the lowest of the employees and finding out problems with the help of intelligence services is recommended by Kautilya.

We see this throughout our ancient history books also. Be it Lord Krishna or Shivaji, they used to go around their kingdom incognito, even at night, to ascertain the ground level realities.

If inspection is not held on a regular basis, the king will lose control over his employees first, then his subjects and finally his whole kingdom.

"Wage is for work done, not for what is not done." (3.14.8)

This verse shows how focussed Kautilya is on the

productivity of a person. He says there is no scope for a person to get paid just to sit idle. Results are very important. Why should the state treasury pay a person for not working? Wages are paid only to those who work.

Today our government organisations need to implement this message in its fullest measure. Just sitting in the office will not suffice if the country has to progress. The managers of various government institutes need to pull up their socks and do the same with their junior staff too.

3. Maintaining a Good Accounting System

"He (leader) should check the accounts for each day, group of 5 days (a five-day week), fortnight, a month, three months (quarterly) and a year." (2.7.30)

We can clearly see from this verse that the modern way of daily, weekly, monthly, quarterly and annual accounting methods were used by Indians more than 2300 years ago! It is advised that the leader should keep a check on the accounts in a systematic manner. Kautilya says that the king needs to take full control of two aspects of

any state – the treasury and the army. If he loses control over either of them, there is a good possibility of take-over by the enemy. Kautilya also lays stress upon the aspect of keeping control over the accounts by stating that the first thing a king should do after getting up in the morning hours is to check his accounts.

Apart from keeping track of the total accounts, the king should keep control over the individual accounts too.

The individuals in an organisation make up the total organisation. There is a possibility that a few of the employees are misusing the financial powers given to them or are not maintaining proper records. Hence he suggests,

“In addition to reporting in detail as well as in aggregate, there is also an individual accountability for the revenues and the expenditures.” (2.7.24)

There are various people who are responsible for the revenues which flow into the government treasury and others who are responsible for the expenditure. These two extreme ends of revenues and expenditure are likely to be the most easily corrupted. Therefore it is necessary to keep a check on

individuals who are responsible for revenues and expenditures from the treasury.

Next, Kautilya explains how the records are to be maintained with details of each entry. The mastermind that he was, he looked into the details of each aspect of the treasury. It is surprising to see the way he has handled this subject in a most practical and efficient manner.

“He should check the income and expenditure with reference to the period, place, time, head of income/expenditure, source, bringing forward, quantity, the payer/paid, the person causing payments to be made, the recorder and the receiver.” (2.7.31-32)

The financial record books needed to have these columns, where the entries about the period, time and place of the transaction could be done. It also had to maintain details of the source of the income or expenditure, who brought it or who spent it, the person who received it, etc.

Thus, a total plan was made by Kautilya in a systematic manner to manage the economy of a state properly. No wonder, with such amazing standards set up by him, India in those days was the golden era in our history.