Soulful Stewardship: Steering Corporations through Human Governance™

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Abstract

Corporate governance may be the fashion these days but we believe that governance, if fundamentally looked at as being an exercise of rule-based conformance for the corporation, is flawed. Bushed from the continued reporting of corporate scandals with the more recent ones being the liquidity crisis and sub-prime fallout, despite the existence of regulatory frameworks, we believe there is a need to revisit corporate governance practices, but, with the problem as suggested by Einstein, be solved from a different level of consciousness that created it.

In this monograph, we provide a discussion of the requisite for governance to evolve into the fundamental concept of man being central to organisations. We posit that the flaw with corporate governance practices came by, out of the landmark decision to give legal personality to corporations, resulting in unintended consequences. This decoupling of the human factor has led to corporations being deficient of spirit and consciousness, attributes of only man as natural persons. Based on the development in science, we proposed a governance structure that is human-centric and principle-based, one that we called Human Governance™, going beyond relying only on the reach of sense experience and perception, but to intellection and the heart as devices for life's decision making.

Keywords: Human Governance™, Corporate Governance, Human, Consciousness, New Sciences, Decision-Making, Letter vs Spirit of the Law, Natural Law, Ideas Man™

Content

Foreword

The Malaysian Institute of Accountants (MIA) is pleased to extend to you this monograph titled "Soulful Stewardship: Steering Corporations through Human Governance."

It is an honour to work with members of the academia such as Professor Dato' Dr Aziuddin Ahmad and Professor Dr Arfah Salleh from the Graduate School of Management of Universiti Putra Malaysia in publishing this groundbreaking research on human governance. MIA is continuously looking to strike up winning partnerships with its stakeholders in creating greater value for its members and this publication certainly is a testimony of that.

In this day and age where public interest is becoming paramount to ensure sustainability of organisations, good governance is increasingly taking centre stage. However, we all know that governance is more than just ensuring the right controls in place. Rightfully, it should be a process that is approached holistically–it involves humans implementing a set of rules of regulations. As a matter of fact, it is humans who determine the effectiveness of these processes. Yes, it is ultimately about people.

MIA believes that organisations need to look beyond just corporate governance to include human governance – a process in which integrity and good values take precedence over anything else. Organisations must look at ways in which these good values which are instilled in us since young will continue to be practiced no matter how educated or knowledgeable we become.

MIA has continued to call upon accountants to always uphold these core values in ensuring that the element of public interest continues to be protected. It is because of this that we saw the value in this research project and decided to lend our support to it.

I certainly hope that this publication will lead to increased governance not only in the accountancy profession but in all professions, in Malaysia and even the world. In a world that is moving at this frantic pace, perhaps it is time we revisit the basics and use them in tandem with the cutting edge practices of today for a better tomorrow.

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1 Introduction

> Increasing governance and regulatory expectations can lead to too much focus on process, or "box-ticking". Corporations should be run in different ways … by addressing the Code's requirements, corporations will do justice to the expectations of their various stakeholders – as long as substance supports the form in which these parties are reported. (Rao, 2007, p. 16).

Garratt, too, opines that corporate governance has created an era of corporate conformance of ticking the boxes, running through the drill and complying with all the codes (Le Pla, 2005). But most corporate governance problems in the US and the world centre on fraud, man's weakness!

This monograph examines the need to primarily shift from a rule-based conformance practice to a principle-based code of conduct for corporations in discharging their obligations to shareholders and society at large. Discussion on the limitations of parameter-driven rule-based governance hinges around the belief that corporate governance will not achieve its desired objectives if what is practised is a manifestation of the intention of only adhering to the **letter of the law over spirit**. In order for substance to support the form, it is the spirit of the law that needs to be emphasised since the letter of the law in essence, merely focuses on the label or form. The monograph, in arriving at the proposed governance model, critically appraises the existing corporate governance structure including its underlying foundation, piercing the veil to understand the mould with which today's governance has been shaped. Through reference to relevant current and classic works from related disciplines of philosophy, legal, social science and the new sciences, the impedances towards effective corporate governance practices are identified. A code of conduct, one, which is human-centric and principle-based, and has its fundamentals rooted in new sciences is proposed as the main structure to be supplemented by the existing framework.

2 The Malaysian Code of Corporate Governance

The corporate scenario in Malaysia during the 1990s was a period of rapid growth with significant increase in the number of companies being listed. The period also saw the privatisation of key industries: an initiative undertaken by the Malaysian government under its policy of developing the private sector as the driver of the economy. Synonymous with this era too was the double digit growth in the economy, much to the delight of the capital market as reflected by market indicators. Then, the question of transparency and governance was not prominent and took a back seat. This laid-back setting on governance, however, took a pivotal turn when the 1997 financial crisis decided to capriciously thrust itself onto our economy, not sparing the country of its brunt, just as it had done to that of our neighbours'. And abruptly too, corporate governance or rather, the lack of it, became the raison d'être for the crisis in East Asian countries. The contention was that, weakened corporate governance led to poor investment decisions and excessive exposure to debt particularly un-hedged short-term foreign debt and risky financing practices. This in turn, put the corporate setting into an unstable position vulnerable to corporate maneuvers.

Taking cognisance of the undesirable implications of the predicament on the economy and the need to lessen the risk of recurrence of the crisis, the Malaysian government re-evaluated the corporate framework in place and undertook the initiative to reform the governance structure as a whole. Towards this end, the Securities Commission of Malaysia (SC) formulated and issued the Capital Market Masterplan (CMP) in 1999 and the Malaysian Code on Corporate Governance in 2000 through its Finance Committee on Corporate Governance, while the Bank Negara Malaysia, the Financial Sector Masterplan (FSMP) in 2001. Together, the two master plans are to chart the direction of the capital and financial markets of the country for ten years

then into the future, the former through providing market participants with strategic clarity of vision and objectives amid changing market place such as increasing regional competition and globalization, and the latter through a stable financial system built upon an efficient infrastructure, more resilient institutions as well as strong prudential regulations and supervision. The Code essentially aims to set out principles and best practices on structures and processes that companies may use in their operations towards achieving the optimal governance framework.

In 2007, the SC revised the 2000 Code and issued The Malaysian Code of Corporate Governance (Revised 2007). Key amendments to the Code are aimed at strengthening the board of directors and audit committees, and ensuring that the board of directors and audit committees discharge their roles and responsibilities effectively. The amendments spell out the eligibility criteria for appointment of directors and the role of the nominating committee. On audit committees, the amendments spell out the eligibility criteria for appointment as an audit committee member, the composition of audit committees, the frequency of meetings and the need for continuous training. In addition, internal audit functions are now required in all public listed companies (PLC)s and the reporting line for internal auditors clarified. (The Code, 2007 p. i)

Basically, the initiatives taken by the regulatory body are directed towards imbuing a transparency culture. Based on the amendments to the codes as outlined above, we see that the changes are made on matters relating to governing the natural man. The implication is that, it is through the natural man that society hopes the corporation will perform its duties and responsibilities ethically and with transparency. Whether transparency indeed, has become the norm in governing corporation is an issue of contention. Our investigation into the phenomenon begins with a probe of the fundamental issues governing governance, including the unintended outcomes and consequences brought about by a parameter-driven, rule-based governance codes upholding a mindset of *caveat emptor*.

3 The Code as Parameter-driven Rule-based Governance

Although the overwhelming intention was for regulation, the Code according to SC was promulgated more to facilitate self-regulation by practitioners in their everyday dealings.

> The need for a Code was inspired in part by a desire for the private sector to initiate and lead a review and to establish reforms of standards of corporate governance at a micro level. This is based on the belief that in some aspects, self-regulation is preferable and the standards developed by those involved may be more acceptable and thus more enduring. … These structures and processes exist at a micro-level which include issues such as the composition of the board, procedures for recruiting new directors, remuneration of directors, the use of board committees, their mandates and their activities. (The Code, 2000, p. 1).

While it may be inferred from the above excerpt of the Code that the intention is for self-governance, the mere codification of the principles and best practices of good governance and description of optimal corporate governance structures and internal processes allows for conflicting interpretation. Added with the mandatory reporting requirement of compliance with the Code, a regimented picture of the Code as an external dogma is further emphasised. Hence, critiques abound on how the Code is being manifested in practice and how it is viewed by practitioners, particularly, members of boards of directors. Balancing the directoral dilemma of managing and direction-giving, remains a key issue for members of the board and according to Garratt (2007), most directors are compliance-fixated. Therefore, box-ticking and legalistic mindset becomes the underlying philosophy that is adopted. And,

the fact that Enron obtained a 100% compliance score speaks volume of this concern! Occurrences of other corporate debacles worldwide and locally too, further accentuate criticism of corporate governance practices. More recently, the cases of liquidity issues of Northern Rock and Bear Stearns have led to more pronounced and vocal disapprovals of the governance practices in place. Wolf (2008) views the act of the respective central banks to provide cash lifeline as bail-outs as epitomising systemic deceit, while the US sub-prime crisis displays evidence of greed.

Greed as the cause of financial crises has been singled out too by Villiger when he asserts that they (financial crises) start when profit-frenzied bankers breach the elementary rules taught to trainees (Villiger, 2008).

Following on from this, it is only natural that the question of whether the Code is indeed of value and has achieved what it is supposed to achieve, keep resurfacing; whether explicitly in discourses, or documents or remains within the hearts of the practitioners and other stakeholders. Judging from the Enron case and many more, the methodology to ensure that the Code would result in the board of directors and audit committees discharging their roles and responsibilities more effectively and meaningfully, still remains an issue worthy of discussion and one that requires deep thinking.

In this regard, the point of departure has to be set as farthest back into time to pierce the veil of corporate governance in order to facilitate our understanding of its essence and how it has gained prominence.

The term 'governance', is derived from the Latin *gubernare*, that is, 'to steer'. This is traceable to some three millennia ancient Greek *kubernetes*, meaning 'the steersman' or the person who gives direction to a ship or organisation. Whether Latin or Greek, verb or noun, in essence it involves the function of providing direction or guidance rather than control. According to Garratt (2007), governance later appeared in 13th Century Middle English in the Canterbury Tales from old French *gouvernance* and briefly mentioned in 16th Century texts including by Machiavelli and later Adam's Smith *The Wealth of Nations*. Subsequently it disappeared but only to reappear in Harold Wilson's *The Governance of Britain*. It was not until 1984 that the word

corporate governance was coined when Bob Tricker wrote the first book entitled *Corporate Governance*. The phrase later gained prominence when Adrian Cadbury prepared the report for the London Stock Exchange after the Maxwell scandal in 1992. Following on the Cadbury Report, other reports like the Greenbury Report (1995) and Hampel Report (1998) also focus on corporate governance practices. But, rather unfortunate, as pointed out by Garratt, further corporate governance tragedies have lead to 'governance' being equated to 'compliance'.

The danger, as highlighted by Davies (2005), is that unlike the tradition of the Eastern cultures, under the Western founded compliance-based system of governance, the mind frame is set upon NOT doing what is wrong, but NOT necessarily, on doing what is right either. In other words, although it does not promote NOT doing one's worst, neither does it promote doing one's best. The argument is that, the emphasis on conforming to a series of rules or parameters will eventually lead to an ethos devoid of values and ethics. This is so, since an action that is ethically not correct but not explicitly prohibited due to oversight or by design, will now become allowable and not wrong. In essence, emphasis now is on the letter of the law, not spirit! And it is by observing the letter of the law, to begin with, that has led to many corporate embarrassments. The Enron trial for instance, was at heart about the difference between the letter of the law and its spirit. As argued by Gimein (2006), it was not a lack of rules that made Enron possible but an unwillingness to think about regulation and responsibility in any but the most legalistic terms. The inadequacy of strictly adhering to only the letter of the law is also stressed by Berkowitz, Enron prosecutor, from the onset of the trial when he said "you can't really interpret the letter without talking about its spirit as well". Khallaf (1972), as quoted by El-Gamal (2006), reminded of the need to observe the spirit of the law since the law is there to serve certain ends, and the ends are more important than the mechanics of the law. And, when trying to keep the letter of the law while undermining the spirit, we are likely to violate the letter in the end.

We next turn to the subject of *caveat emptor*, the foundation that lays the mindset of property law, but one that we believe has profound impact on the way commercial transactions are conducted. The *caveat emptor*, "let the

buyer beware" axiom, puts the buyer alone as responsible for assessing the quality of a purchase before buying. This attitude of non-disclosure, or rather to shroud in secrecy by sellers through transferring the onus of discovery to the buyer, has become concretised in business dealings to the extent that it could have become second nature to many business people by now. When the underpinning of one's conduct is of non-disclosure with customers, the expectation for one to 'switch' into a disclosure mode with the owners may be a tall order. Should the owners and other stakeholders too, not be expected to beware? *Caveat emptor* and transparency are just principally, mutually exclusive. So where does that lead us? In the mindframe of today's corporate governance where transparency is the crux, we need to re-look at the *caveat emptor* way of thinking. We believe it is pertinent that the culture of non-disclosure, that has become the basis for business conduct, is replaced by a maxim of disclosure. From **buyer beware**, we propose a **seller declare** dictum. We examine the *caveat venditor* axiom closely but opine that the "let the seller beware" too is still a discovery-based truism. It is only when the seller begins not only to take on, but also believes that it is his or her responsibility to take on the obligation to declare, that disclosure and transparency in their true meanings can be instilled. May we here coin the practice as *edico venditor*.

Now that at this juncture, the limitations or demerits to put it mildly, of compliance-based systems and the *caveat emptor* mindset are established, the next question is how do we address the shortcomings?   Towards this end, we propose that the root cause of corporate misconduct be first understood. Understanding the phenomenon is unfortunately a challenge in itself. We take the stance here that the end state arrived at will depend on which approach we take in searching for the solution.

4 The Literature: A Positivist Approach to Governance

A 'normal' academic approach is to seek evidence to reflect the relationship between some independent variables that will affect corporate governance practice, which in this case is the dependent variable. This kind of research is structured and designed along Comte's positivist research regime and based on the Newtonian and Cartesian science. Under this regime, the focus is to establish the existence of relationship, a causal one if possible, with a view that the dependent variable can be influenced or affected through the 'control' or 'manipulation' of the independent variables.

Briefly, Newtonian science, based upon the works of Galileo and Descartes, has perceived the universe as a physical machine operating on the mechanical principles. Mechanics had long been the study of natural laws of moving bodies, but Galileo, as cited by Jones (1992) insisted that the basic concepts of mechanics must be mathematical, hence, requiring only the consideration of quantitative, objective characteristics of things – what Galileo referred to as "primary qualities". "Secondary qualities" which could not be identified only reside in consciousness. Descartes reinforced Galileo's ideas by equating the knowledge of nature with the knowledge of mathematics and insisting too, that objective nature consisted only of the mathematical aspects of objects. To Descartes, mechanics meant that a phenomenon was able to be imitated in a mechanical model and that there was no difference between a running clock and a growing tree (Jones, 1992, p. 90). Newton, based on the mechanical worldview, next defined the universe by its material reality and that its operation could be understood through **reductionism**, that is, the process of taking matter apart and studying its bits and pieces. It is knowledge of the universe's parts and their interaction, which was thought to allow science to predict and control nature. This notion of control is contained within determinism, that is, the belief that with knowledge of the parts, the behaviour of the whole can be predicted (Lipton, 2005).

In the case of corporate governance, a review of the literature shows several factors or independent variables such as ownership structure, board structure, board activity, remuneration, transparency and disclosure that have been found to be associated with the level or quality of corporate governance practices. And, according to Samad (2002), ownership structure is the most important factor in shaping the corporate governance system of any country. With ownership structure, it is a generally accepted worldview that there is a relationship between ownership structure and the degree of corporate governance actualisation based on agency theory. In particular, ownership structure determines the nature of the agency problem, that is, whether the dominant conflict is between controlling and minority shareholders, or between managers and shareholders. Studies on corporate ownership structure of East Asian including Malaysian companies, show that they are typically **family-controlled or state-owned** and **managed by owner-managers** (see Claessens, Djankov, & Lang, 2000). Hence, the agency problem here is defined as between controlling and minority owners. The fundamental issue of concern seen with this form of concentrated ownership is how to protect minority shareholders from expropriation by controlling shareholders. The perception is that, controlling shareholders may act in their own interests at the expense of minority and other investors.

Concentrated ownership too, is said to be associated with low earnings informative-ness as ownership concentration prevents leakage of proprietary information about the firms' rent-seeking activities (Fan and Wong, 2002). It is the acts of such nature that compromise corporate governance practices.

To the contrary, concentrated ownership in a **manager-shareholders** scenario is seen as creating a stronger force to play the important role of monitoring management. When ownership is dispersed, shareholder control tends to be weak because of inadequate shareholder monitoring. The inadequacy of shareholder monitoring is due to the so-called free-rider problem: a small shareholder would bear all the monitoring costs, but only share a small proportion of the benefit therefore, he or she would not be interested in monitoring. If all small shareholders behave in a similar way, no monitoring of managerial efforts would take place. Therefore, the degree of ownership concentration is said to determine the distribution

of power between managers and shareholders in a company. To sum up, concentration of ownership (with smaller proportion of minority) in a situation of owner-managers is said to create a lack of protection for minority shareholders while concentration of ownership in a manager-shareholders scenario is deemed, beneficial. The mitigating factor in both cases is the level of corporate governance. While in the former, corporate governance is suspected, in the latter, corporate governance is claimed higher.

While it is not our intention to debate on the philosophy and legitimacy of research methodology based on Comte's positivist ideology, we cannot stress enough the need to examine the implications of their findings on the course of actions to improve corporate governance. Following on the argument that East Asian companies are largely family or state-owned, and that the lack of corporate governance is more profound in companies that have smaller proportion of minority interest, does it now mean that in order to improve corporate governance practices, companies need to increase public ownership? Indeed this is such an over-simplistic solution and to suggest that all matters are numbers, hence number-solvable, is rather unreasonable, though we take note that numbers and quantity do appear as panacea for those who are metrics-obsessed!

Why then, the continued reliance on positivist mode when the implications are suspected? The contention by positivist researchers usually would be along the line of the studies' purpose being only to focus on identifying whether there is an existing relationship between corporate governance practices, that is, the dependent variable as measured using some measurement index and corporate ownership or other independent variables. The issue of interpretation is left to the readers or if indeed elaborated, usually leads to their blaming on the contextual setting of the research framework as being a research limitation. Essentially **does** this not imply that its generalisability, the very reason for conducting such research is now doubtful? Much as we would like to make meaning of many of the positivist research works on corporate governance by synthesising their findings into our proposition of future direction for corporate governance, we are limited by their practical implications or even to the meaning of the findings. Notwithstanding the acceptance by many social scientists of the "correctness" of adopting the

positivist methodology due to its objectivity (being number-centric) hence fulfilling their version of scientific criterion[1] to a point of obsession in examining social science phenomena, there is still the need to question the implications. Without the slightest tinge of cynicism, we however wish to declare that our response and elaboration on the matter would be addressed separately, specific to the positivist method of research in social science.

But suffice here to say, that what is at fault, is the obsession over numbers and an over-reliance and belief that something is real only to the extent that it is measurable. The problem as identified by Senge, Scharmer, Jaworski and Flowers (2005, p. 192) is not measurement per se, but the loss of balance between valuing what can be measured and what cannot, and becoming so dependent on quantitative measures that they displace judgment and learning.

With the constraint of positivist causal models now brought to light, we believe the way forward is to plow deeper, to examine the REAL cause of corporate abuses. We see those social scientists pursuing the positivist line of research will continue to deliberate and discover many 'new causal factors' but which are grossly inadequate to meaningfully help operationalise corporate governance practices. They will continue to proverbially bark at the wrong tree.

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[1] Newtonian & Cartesian-based science

5 The Need for a more Holistic Governance Approach for Corporations

5.1 Reason for Governance

According to Monks (1998, pp. 5-6), the word 'corporation' more reflect 'embodiment' as suggested by its Latin root word 'corpus' for body. A corporation represents the complete unity of its elements to become one. It is based on this sense of unity that travelling traders in the 16th century UK first formed corporations or bodies to share their risk. With colonisation of the new world in the 17th century, a new form of business enterprise was created not only to share but transfer risk. This was when corporations evolved into artificial entities where risks were limited as in the form of joint stock companies. Chartered corporations in the form of the British East India Company and the Dutch East India Company were the primary instruments of British colonisation of India and the Dutch, of Indonesia, respectively.   In the US, it was a two sentence assertion by a single Supreme Court judge in the landmark case of *Santa Clara County v. Southern Pacific Railroad Company* in 1886 that marked the milestone in the history of the creation of artificial persons or corporate personhood.   Justice Morrison Remick Waite decided that a private corporation is a person and thus, entitled to the legal rights and protections the Constitutions affords to any person.   With the establishment of the legal 'corporate persons', the gap widened between the functions of ownership and management. Previously, in private businesses, there were little distinction between ownership and management of business entities since the roles were played by the same individuals with their own sense of accountability. In his *Wealth of Nation*, Adam Smith as reported by Monks (1998, p. 14), was apprehensive that directors of companies (joint stock with large capitalisation) who, being managers of other people's money, will watch over it with the same anxious vigilant as partners in a private copartnery.

To surmise, it was the legalising of corporation as a person that made way for the rise of global corporate rule and the separation of ownership from management or control, with many unintended consequences. While the problem of corporate governance in modern corporations is said to arise because of this separation of ownership from control (Samad, 2002), we posit that the root cause lies rather in the granting of 'legal personality' to the corporations.

The legalising of a corporation as a legal person accords the corporation similar legal rights and protections to a human person. With rights should come responsibilities, just as a natural human person is expected to discharge. Unfortunately, corporations also do benefit from exemption of responsibilities as much as it enjoys the rights. While a natural person can be punished for committing crimes, a corporation does not respond to the penalties applicable to a human person. "How can a corporation be punished beyond the payment of a fee?" Monks (1998, p. 42). The decision whether to obey the law for a corporation, he argued, is one of many that involve a cost/benefit calculation. Rather worrisome is the possibility of a corporation breaking the law with intent from a cost benefit exercise when the probable cost of being discovered, prosecuted and fined being thought to be less or equal to the cost for observing the law. Monks (1998) too, implied that a corporation has more rights than a natural person. For instance, while a natural person has a finite life, a corporation can have unlimited life and assumed a going concern from the point of inception. Like long corporate life, corporations also can evolve in its size irrespective of merit. Corporations too, over time have shown their hunger to participate and dominate the political process as 'persons', this being confirmed in the 1976 *Belotti v. First National Bank of Boston* case. Monks cautioned that the problem of excessive corporate or business influence threatens to challenge the legitimacy of the entire democratic system, from economic to political, judiciary, and the environment. This power, an example of the unintended consequences of the corporate personhood, should be, as implied by Monks, curtailed. We could not agree more with Monks, given the extent to which corporations are now willing to misuse their legal person status in this respect. Some have gone beyond the thinkable and indeed, beyond the intended outcomes by demanding to be accorded "corporate

human rights". "The implications of conflations between the 'human', the 'person' and the 'legal person' in human rights law are troubling," exclaimed Grear (2006).

Korten (1999), on the other hand, raised some interesting 'legal' issues with respect to the legal person status of corporations. The corporation, though a legal person, as a matter of fact is owned by its shareholders. This, according to Korten (1999), constitutes slavery – a status forbidden by the US Thirteen Amendment to the Constitution. So the question arises whether a corporation is a person **illegally** held in servitude by its shareholders or whether it is a person who enjoys the rights of personhood that take precedence over the presumed ownership rights of its shareholders. This contradiction, as believed by Korten (1999), has not been directly addressed by the courts. Just as the contention and disputation of the non-clarity of a corporation's responsibilities remains, likewise, in relation to this monograph, the issue of how to ensure a corporation discharges its governance obligations better, still looms. This is the statement of the problem that we believe needs to be dealt with.

In an attempt to address the above, we now focus on the quintessence of a corporation as a legal person, that is, on the artificiality or non-naturalness of the corporation. As said earlier, a corporation is in essence an artificial person unlike human, a natural person. The corporation 'becomes' human as a result of upholding to the letter of the law. As such, all problems associated with observing the letter of the law only as opposed to spirit as mentioned in an earlier paragraph surrounds the corporation. Unintended consequences are already being played out, with multinational corporations already seeking protection under the European Court of Human Rights (ECtHR). Gladh (2006) reminded that where a human rights treaty is mentioning 'persons' as a bearer of rights, it applies also to companies since 'persons' include companies as confirmed by ECtHR.

Business has emerged as the leading segment of society. They can be the most powerful force more powerful than the government to effect positive change. Run by powerful corporations, they are active in shaping public policy. More often than not, competing interest confront them. They have to

reconcile corporate interests with public good. The interests of this artificial person of the corporation are thus, placed ahead of the interest of natural persons. Legal scholars are now questioning this 'corporate humanity', this human rights distortion of corporations. Multinational corporations also have the potential to frustrate the universal promotion and protection of the environment, as well as human and labour rights through their own conduct, yet they run to ECtHR for protection when they are taken to task.

While corporation does not respond to the same incentives or punishment applicable to human person, human person too should not be expected to respond to the same governing formula for corporation. No doubt corporation is represented by human, but then, corporation is not human in its natural state. Corporation is only human in the eyes of the law. In short, although a corporation is a person in legal terms, it has attributes different from those of human, the natural person. Therefore, as an artificial person it is governed by man-made, rule-based laws as opposed to the natural law. However, the corporation, that is, the artificial person cannot be independent of human, being the natural person, for it is human who represents the corporation in observing all the rules, codes and regulations in place. The issue now is that how can the natural person be governed using the law for the artificial person? We now take the discussion further to the origin of the law that governs human and the reason for such laws.

When legislated man-made law hardly yet existed, natural law was revered. While the source of man-made law is clear, that is, created and legitimised by society through the passing of an act in parliament and is prescriptive in nature, natural law is a law implanted by nature on the human mind and is descriptive.

Natural law, natural justice, … is naturally applicable and adequate to the rightful settlement of every possible controversy that can arise among men; being, too, the only standard by which any controversy whatever, between man and man, can be rightfully settled; being a principle whose protection every man demands for himself, whether he is willing to accord it to others, or not; being also an immutable principle, one that is always and everywhere the same, in all ages and nations; being self-evidently necessary in all times and places; being so entirely impartial and equitable towards all; so indispensable to the peace of mankind everywhere; so vital to the safety and welfare of every human being; being, too so easily learned, so generally known, and so easily maintained by such voluntary associations as all honest men can readily and rightfully form for that purpose. (Spooner, 1882, Chapter III).

Given the completeness of natural law in governing man, why then was there a requirement to prescribe man-made laws? To this question, the earlier works by social contract and natural law theorists Hobbes (1651) and Locke (1690) are useful. Both viewed that while man's nature does not need a governing state, a better life will be assured through the existence of an outside regulation. Hobbes believed that although it was unnatural for man to put himself under the control of others, to have a government, it was rational to do so. To Hobbes, if man were not brought under a system of laws, then life for most would be nasty, brutish and short: a constant war of every man with every man since man are driven by egotistical psychology. Locke, on the other hand believed that it was best for man to contract out into civil society by surrendering personal power to the ruler and magistrates (the law) as a method of securing natural morality more efficiently. According to Locke, man would be better off under government. In short, to Locke, government is necessary in order to **preserve natural law** whereas to Hobbes, to **control natural law**. While Hobbes viewed man as solitary, nasty and brutish, Locke saw man as thinking, capable individuals that are governed according to reason and could coexist peacefully. Therefore, although both saw the need for government hence governance, their reason for governance differs.

Relating back to the original meaning of the term 'governance', that is to steer or guide, rather than control, we see the parallel of Locke's view on governance. We, therefore, opine that this is the juncture that would be a reasonable point of departure to now review the current state of affairs of corporate governance practices. We now should be in a better position to evaluate the strength and shortcoming of today's corporate governance and hence, chart the direction for the future. We take note that with the legalisation of corporation too, direct human involvement of individual owners became increasingly removed from management. It is the existence of this gap that has led many to want to put into place a mechanism that could help owners control or oversee the running of corporation by management, more specifically, codes of corporate governance. It is through this external instrument that owners hope their power to maintain a voice in a business entity is operationalised. Monks (1998, p. 25) confirms that "the need to bridge this gap has in turn provided the foundation for much of our contemporary system of contract law and our standards of accounting practice, all formal mechanisms devised to codify and monitor the various relationships between and within business entities". Compared to the intention of the earlier Greek and Latin 'governance' that parallels Locke's view, today's governance appears to have taken on Hobbes'. The definition of corporate governance by the Cadbury Committee as an example, confirms the purpose of corporate governance as a controlling device: "It is the system by which companies are directed and controlled." In the present business environment, where many more parties are staking claims on the corporations, and against a backdrop of many corporate debacles, we need to assess whether the present corporate governance structure is truly capable to meet the expectations.

Traditionally, corporate governance has focused on the ways in which organisations, particularly limited companies and corporations, are managed—and on the nature of the accountability of managers to owners. The 1990s, however, saw a steady expansion of the agenda, from the 'exclusive' forms of corporate governance (largely focused on shareholders and financial markets) to more 'inclusive' forms, based on extensive stakeholder dialogue (Elkington, Terry, & Zollinger, 1999). To date, the call for corporations to cater for the interest of more diverse stakeholders is a given.

According to the Securities Commission (2000) for instance, "Corporate governance is the process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long term shareholder value, whilst taking account the interests of other stakeholders". This affirms the view of many that corporate governance is not only a measure to protect shareholders' interest but other stakeholders' as well. The issue in contention now is how effective can everyone's interest be protected with the current 'one-size-fits-all' codes.

Revisiting the limitations of man-made law, we must accept that there can never be enough rules to cover everything we recognise as an ethical situation and applicable in different entity sets and jurisdictions. Do we maintain a firefighting mindset to the law creating process? Citing the case of the recent financial crises to hit banks, Villiger (2008) pointed out that politicians do indeed react to such spills over by creating new laws and regulations aimed at preventing similar problems in the future. However, with hindsight we all know that such regulations will not prevent similar problems in the future. We too must take cognisance that over time, we have seen that rules can and do conflict. In such a situation, do we keep creating more rules to adjudicate these conflicts? We all know too, that all rules need interpretation. But the very act of passing the rules, have led many to focus on the rules and actions only. We over-emphasise on WHAT we do rather than WHO we are and WHY we do things. With more complex business scenarios, situations of 'exception' to the rules may arise. This search for loopholes may allow for codes of corporate governance to become subject of manipulations. While we wish that Hobbe's view of man is not true, we see abundant affirmative evidence over time. The implication of the findings on our search for a governance structure is that the present rule-based governance ethos is not capable to effectively govern corporations or more specifically, human running the corporations. The philosophy of an external control mechanism whether for direct or self-regulation has proven to backfire. Subscribing to Locke's view of man, we now work towards a governance structure that promotes internal motivation with consciousness from within: one that promotes the practice of natural law, one that is principle and values-based, one that can govern the human in order for human to govern the corporation.

5.2 Governing the Human—What Does it Mean to be Human?

To start with, we believe that it is most appropriate that we seek answer to form an image of what it is to be human. This is because the governance structure that we are attempting to suggest will be specific to govern human in their running of the corporate organisations. Because human represents organisations, what holds for individuals will now also hold for organisations. Restoring integrity into a corporation can only be through restoring integrity to the human within the corporation. So, what does it mean to be human? Becker (2006) provides a walkthrough of what it means to be human, quoting from various theological sources. To her, the questions of human rights cannot be addressed if the definition of humanness remains unclear. She highlights the paradox of human, being made in God's image yet in essence different from God; being made like the animal kingdom but above the other animals created. Becker states that the uniqueness of being human lies in the ability of human to have a relationship consciously with God the creator. To be human incorporates not only the physical being but also a spiritual identity. Al-Jamal of Fez's work on *The Meaning of Man*, as translated by Abd as-Rahman at-Tarjumana (2005) also stresses the spiritual identity of man and the need to be inward looking in performing the outward sensory action. Therefore, at this juncture, we can say that a human being is not an animal to which rationality is added. We do possess consciousness that differentiate us from animals. Frankl (1997), singled out the concept of conscience in searching for the meaning of man. Frankl saw conscience as a sort of unconscious spirituality, different from the instinctual unconscious that Freud and others emphasised. The conscience is not just one factor among many; it is the core of our being and the source of our personal integrity. In addition to being God-conscious and having conscience, man, according to Chittick (1983), is also bestowed with intellect and sensual. Interestingly, Stott (1999, p. 54) reminded that although we are able to think, choose, create, love, and worship we are also able not to think hence to choose evil, to destroy, to hate and to worship ourselves. He argued that we build places of worship, yet we drop bombs; we develop intensive care units for the critically ill yet at the same time use the same technology to torture political enemies who presume to disagree with us. This, according to Stott, is man: a strange bewildering paradox. Chittick (1983, p. 86) says that it is

the ability of human to vacillate between being intellectual and sensual that determines between man being higher than the angels or lower than the beasts. Based on the earlier discussions, we take it that man must learn to use his consciousness of God, his conscience and his intellect to live. This is the soul in man. Soul is thus, an embodiment of the inner essence of living being and the true basis of the sentience and wisdom. It is this soul in man that distinguishes us from animals. Soul therefore, is not an attachment to a body but the main.

Moving on from a theology stand point to science, we next draw the discussion on how man define the meaning of human. For that, we need to go back in time to Julien Offray de La Mettrie, a French physician, atheist, mechanist and materialist; an infamous specimen of the Enlightenment, who was the author of *Man: a Machine*. Man, according to La Mettrie, is so complicated a machine that it is impossible to get a clear idea of it beforehand, and hence impossible to define it. For this reason, he contended that all investigations by earlier philosophers have been in vain.   La Mettrie detached the soul from man. As a machine, La Mettire man is governed by the basic scientific theory of Classical Mechanics of Newton and Descartes; holding to such maxims as objectivity, linearity, clock-work like, empiricism and determinism. But Classical Mechanics, based upon a mechanical picture of nature is now fundamentally found incorrect (Stapp, 1997). It has been subsumed by the new sciences which encompass Quantum Physics, Chaos and Complexity Theory. These new sciences can profoundly alter the scientific image of man.

To us, humans should be viewed as one, where the non-material soul is the essence, the core and residing in the physical biological body for locomotion. We thus see two aspects of humans: the physiological and psychological. The former, which is best described systemically as composed of different systems such as the digestive, central nervous system, renal, endocrinal, reproductive and lymphoid, embodies the latter. The physiological systems too, are capable of self-organisation, have emergent and adaptive qualities among others. However, it is the letter, psychological aspect is that which makes humans "human" with values.   It is the presence of this part of the humans that qualifies one to be a sentient being with the ability to know and apprehend the multi-layered dimension of reality through the application of the

three endowed devices of sense perception, intellection and contemplation. The psychological part is also responsible to capture and actualise the potential and spirituality in humans, the oneness of transcendence and able to manifest such attributes as sacred, consciousness, awareness, intuition, intentionality, compassion, and search for meaning and truth.

5.3 Governing the Human—The New Sciences Way

Quantum mechanics conflicts violently not only with our intuition but perhaps even with the scientific worldview we have held since 1600s (Rosenblum and Kuttner, 2006). However, developing quantum theory was "the crowning intellectual achievement of the last century," says John Preskill of California Institute of Technology. It is the underlying principle for many of today's devices, from lasers to magnetic resonance imaging machine… Many scientists foresee revolutionary technologies based on the truly strange properties of the quantum world (Business Week, 2004). The most distinctive feature that differ quantum theory from classical physics is the principle of non-locality posited by Schrödinger (Gough and Shacklett, 1994). A physical system, once separated, retains a connectedness through the quantum wave function. Unlike all conventional interactions which drop off with distance and cannot travel faster than light, the quantum linkage due to non-locality is as strong at a million miles as at a millimeter, and its changes are transmitted instantaneously - considerably faster than the speed of light. Quoting Herbert (1988) on Bell's Theorem, Gough and Shacklett explained how the non-locality principle works. According to them, in 1964 John Stewart Bell proposed a crucial test between the predictions in quantum theory of non-locality and those of any theory based on the concept of local reality. This test, known as Bell's Theorem, did not propose an experimental situation in which non-local interactions are directly observed. Instead, Bell invented a simple argument that could be tested experimentally that would indirectly demonstrate the necessary existence of non-local connections. Local reality means that effects that are strong within a given region of space fall off outside, so that it makes sense to divide the world into separate, self-contained systems that interact by forces and signals that fall off rapidly with distance. Thus, the idea of non-locality is shocking, because for hundreds of years scientists have said that if anything

moved it was because something else acted on it. Non-locality suggests that distant systems can be connected in a totally new way, a way in which distance no longer seems to matter. The experimental results are now in, and most physicists are well satisfied that quantum theory has been confirmed and local reality ruled out. The tests of Bell's theorem demonstrate that the quantum linkage is real and provide the key evidence in physics pointing to a connection beyond space-time. Whether we like it or not, nature has chosen to include this instantaneous linkage into her creation of reality. These careful experiments were carried out by Aspect, Grangier and Roger and have shown that quantum systems are correlated in ways that defy explanation in terms of any connections, interactions, fields, pushes, or pulls that would have any meaning in conventional physics (Gough and Shacklett, 1994). But according to Herbert, "Quantum theory … works no matter what a person believes," (Herbert, 1985, p. 93).

Now that non-locality is a given in science, where deep-level connectedness of physical entities is the norm, the way we view how organisations and human works should also evolve. We need to remind ourselves that people are not automatons, but are endowed with ideas. This self-image of the Ideas Man™ as also mentioned by Stapp (1997), is the foundation of values, and the replacement of the mechanistic self-image derived from Classical Mechanics with Quantum Physics. The Ideas Man™ concept may provide the foundation of a moral order better suited to our times, a self-image that endows human life with meaning, responsibility, and a deeper linkage to nature as a whole. Quantum Physics makes us see the entire universe as a single organism. It is based upon holism, the belief that an understanding of nature and the human experience requires that we transcend the parts to the see the whole. It indicates that we, as individuals or at the organisation or corporation level, are all more intricately connected than appearance would indicate. We are facets of one universal process.

Complexity theory is the study of systems composed of many and varied parts that interact in complex and non-linear ways. It is recognised that such systems cannot be understood simply by understanding the parts. The interactions among the parts and the consequences of these interactions are equally significant. Where human being used to be viewed as sum of the various parts of the body: arms, legs, head, body, etc., complexity

theory views human body as made up of systems: respiratory, digestive, renal, cardiovascular, neural networks, central nervous systems, etc. In fact, according to Lipton (2005), the human body is actually a community of about 50 trillion living cells. Each cell is a living individual, a sentient being that has a life and functions but interacts with other cells in the nature of a community so that every one of the systems of the human body's functions exists in every one of the cells. Hawking as quoted by San Josë Mercury News (2000), declared that the twenty-first century will be the century of complexity. With complexity theory, organisations and companies need to be viewed as living and evolving ecosystems of the business world. This concept is not the same as giving them a legal person status. Because human represents the organisations, the human within the organisations too, should be viewed as ecosystem of the organisations. Today's increasingly interconnected economic ecosystems require in-depth understanding of the inter-relationships among the parts in order to develop a coherent and successful strategy including governance. To transform governance within organisations, we first need to understand the natural change process embedded in all living systems, that is, the human. It is with this new understanding of networks, systems and interactions, rather than parts nor objects that we can design processes of organisational change accordingly and create human organisations that mirror life's adaptability, diversity and creativity. The understanding of human organisations in terms of complex living systems is likely to lead to new insights into the nature of complexity and thus, help us deal with the complexities of today's business environment in the governance structure. This holistic approach is in contrast to the reductionism, popular since Newton's time and earlier discussed, where a system is reduced to its constituent parts. With reductionism, the approach to solving problems has been to understand the constituent parts of a system and changing the constituents in isolation before recombining into a whole. We need to realise that much of the world dances to nonlinear tunes which has given birth to the new science of complexity (Lewin and Regine, 2001).

Another area of new sciences that bear significance to today's approach to viewing the business world is chaos theory. With the introduction of chaos theory, we, rather than tidily believing, absorbing and regurgitating facts and figures, should find that decision making in the world of business are achieved

through an interconnecting web so vast that it is a challenge to find the pattern within it. "Chaos," writes Cartwright, "is order without predictability" (1991, p. 44). We need to discover that strange and wonderful order. However chaotic or complex the system, we need to have the adaptive attribute to converge into order. This phenomenon is called the complex adaptive systems. According to Lewin and Regine (2001), if complex adaptive systems in the natural and business world share fundamental properties and processes, then, the science offers something that most management theories do not. The argument is that most management theories are not really theories but merely techniques for managing in a certain way.

Despite all these exciting developments in science, are social scientists aware of their implications on to their decision making process? Or perhaps, the question should be whether they are even aware of such developments in the first place. Indeed if they are, they would have abandoned their worldview of man being machine and complement their emphasis on the material with the non-material. They should accept that human cannot be controlled in the decision making process through a governance structure and mechanism that is external only. They should want to move towards a governance structure that is more holistic in approach. Towards facilitating this end, we now propose to discuss a little more on human behaviour to effectuate change and human interaction with the material and non-material environment from the perspective of post Newton science.

5.4 Human Behaviour, Change and the Material/Non-Material Environment

In earlier discussions, we presented the fact that it is human who represents the corporations despite the corporations legally assuming "human" status. Although corporations are not in essence, human, ironically, human desires corporations to demonstrate human-like qualities: to be socially responsible through demonstrating "corporate social responsibility (CSR)" attributes. Our contention is that, given that it is human who represents the corporations, for as long as human behaviour is not addressed directly through means that are appropriate for human, CSR will always be required. CSR need not become

an issue once human behaviour is addressed because human then, will be socially responsible. Hence, if we want to change corporations to be more socially responsible, we must change human behaviour. But we know that human behaviour is not easily changeable. To achieve real transformation, we have to change the motivations that drive behaviour, traditionally shaped on the premise of man as machine. For this end, we ought to have a clearer picture of what motivates man.

Rock and Swartz (2007) argued that the existing models for changing people's behaviour drawn from Skinner's and Watson's behaviourism and on the so claimed person-centred approach through the thinking of Rogers and Maslow have failed. The behaviourists believe that with the right incentives, each individual will naturally change to the desired effect because for each individual, there is one set of incentives that makes the best motivators. If change does not occur, then the set of incentives need to be adjusted until the right mix is found.   The Rogers and Maslow–type assumes that people will automatically change if they receive correct information of what they are doing wrong, and at the same time given the right incentives.   To Rock and Swartz, neither the behaviorist perspective nor the proclaimed person-centred approach has been sophisticated enough to provide a reliable method for producing lasting behavior change in intelligent, high-functioning workers, even when it is in their own interest to change. Both are mechanistic ways to effect behaviours and very positivist.   Both perspectives are founded on the Pavlov's 'dog conditioning formula' that is deeply entrenched in the external stimuli mind frame. Yet, corporations of today almost always espouse the carrot-stick motivation regime, perhaps because of their unawareness of other framework or an unwillingness to change due to their familiarity with their experiences!

Rock and Swartz (2007) provided an alternative science-based way of understanding the motivators of change.   Based on the scientific development during the last two decades, scientists have gained a new, far more accurate view of human nature and behaviour change because of the integration of psychology (the study of the human mind and human behaviour) and neuroscience (the study of the anatomy and physiology of the brain). Advanced computer analysis of the hitherto unseen brain connections

has allowed researchers to pursue their theoretical work linking the brain (the physical organ) with the mind (the human consciousness that thinks, feels, acts, and perceive).   Neurons in the brain communicate with each other through a type of electrochemical signalling driven by the movement of ions such as sodium, potassium and calcium. These ions travel through channels within the brain that are, at their narrowest point, only a little more than a single ion wide. Therefore, according to Rock and Swartz, the brain is a quantum environment and thus subject to all the surprising laws of quantum mechanics such as the Quantum Zeno Effect (QZE). Applied to neuroscience, Rock and Swartz asserted that based on QZE, the mental act of focusing attention stabilises the associated brain circuits. Over time, concentrating attention on mental experience maintains the brain state arising in association with that experience. Paying attention to any specific brain connection should keep the relevant circuitry open and dynamically alive. Eventually, these circuits cannot just become chemical links but stable physical changes in the brain's structure. This, they posit, will translate as lasting change in behaviour.   In short, this scientific explanation suggests that in order to effect more lasting change in behaviour, human need to focus and concentrate on the change that they wish to effectuate so that a change in the brain structure takes place. Because willingness to pay attention is perception based, people's mental maps, their theories, expectations and attitudes are now accepted as important attributes towards change. Rock and Swartz believe that the centre of attention in organisations should be on solution-focused questioning approach that facilitates self-insight.

Going back to the governance perspective that we are here concerned with, this introduction of self-insight brings us back to the issue of consciousness, of how conscious one is, to want to change. McTaggart (2007) documented experiments in which scientists tested the limits of quantum physics. On the basis of her earlier work (McTaggart, 2002) which showed that a quantum energy field was found to connect everything in the universe, including human beings, and the new works of renowned scientists, she demonstrated that the power of human intentions can actually change the world around us through performing intention experiments. The intention experiments involve "powering up" our own thoughts and intentions to change our life and those around us. Lipton (2005) too, demonstrated how the mind could override

genetic programming. According to him, the logical corollary is that the mind (energy) and body (matter) are similarly bound, though Western medicine, whose science is based on a Newtonian matter-only universe and Descartes' separation of the mind and body, has tried valiantly to separate them for hundreds of years. **It is only the reality of a quantum universe that reconnects what Descartes took apart**. Thoughts, the mind's energy, directly influence how the physical brain controls the body's physiology. Thought "energy" can activate or inhibit the cell's function-producing proteins via the mechanics of constructive and destructive interference. Based on the discovery, Lipton believes that it is a giant mistake when the placebo effect is glossed over in medical schools so that students are channeled to the claimed "real tools" of modern medicine like drugs and surgery. Rather, medical education should train doctors to recognise the power of our internal resources. The implication of this discovery is that if we could learn how to direct our potential for influence in a positive manner, we could improve every aspect of our world. And, according to McTaggart, if we begin to grasp the remarkable power of human consciousness, we will advance our understanding of ourselves as human beings in all our complexity.

On the existence of consciousness, scientists have long debated on the reality of it; of its nature given its subjectiveness and non-observable qualities. Scientific studies are plentiful on how the brain functions to promote and maintain healthy physical bodies, but not much is known on the brain's role in establishing the subjective qualities of life. Before we embark further on the subjective tenets of quantum science, the works by Stapp[2] and the Princeton Engineering Anomalies Research (PEAR) group[3] on the role of consciousness in the physical world, would prove insightful.

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[2] of the Lawrence Berkeley Laboratory, University of California

[3] The group has incorporated the International Consciousness Research Laboratory (ICRL) in Jersey to further their research agenda in the integration the subjective and objective components of human experience into an expanded "science of the subjective," thus sustaining the spiritual substance of science and enhancing its cultural benefits.

Stapp (1995) demonstrated that quantum physics was able to bring back and explain the concept of consciousness, unlike classical physics that banished it. "It has become clear that the revolution in our conception of matter wrought by quantum theory has completely altered the complexion of problem of the relationship between mind and matter." (Stapp, 1995, p. 1). While Stapp used a mental experiment to put forward his thesis, the PEAR group tested their theories empirically.

From its inception, the PEAR program has an overarching purpose to provide a scientifically rigorous, empirical and theoretical study of anomalous interactions of human consciousness with random physical processes. In the work by two members of the group, Jahn and Dunne (2004), it was established that we need to move beyond the physiological sensors in order to be able to sense the subjective qualities of life. Physiological sensors have limited ranges sensitivity. They pointed out that human eyes, for instance, perceive only the narrow band of electromagnetic radiation from 400 to 700 nanometers in wavelength, and oblivious to the outer infrared and ultraviolet borders. Likewise our sense of hearing, taste, smell and touch are sensitive only to a tiny portion of the acoustic, and physical and chemical receptive potentials. Yet we give prominence to these limited ability sensors to guide us in our life. In the extreme materialistic view, Jahn and Dunne highlighted that this imbalance of dependence extends to total dismissal of these subtler capacities, thus restricting experience to the five primary sensory capabilities and their technological extensions alone. Consequently, the inferred models of reality are limited to those substances, processes, and sources of information that constitute conventional contemporary science.

Rosenblum and Kuttner (2006) explained that the galaxies do not constitute all the mass of the universe, not even the largest part. There is a kind of matter in addition to what the stars, planets and we are made of, which has gravitational attraction but does not emit, absorb or reflect light and that which we cannot see, the "dark matter". The dark matter makes up 25% of the universe. Another 70% of the universe is made up of a mysterious repulsive energy mass, the "dark energy". What we, the planets and the stars are made of, is a mere 5% of the universe! This means that it is highly probable that the origin and destiny of the energy in the universe cannot be completely

understood in isolation from the phenomena of life and consciousness. The reality is that subjectivity within the universe is 95% compared to the balance that the five physical senses can sense objectively.

Therefore, in order to be able to experience, represent and comprehend the much deeper and extensive source of reality, Jahn and Dunne (2004) called for us to elevate the subjective concepts and correlates to the same status we accord to the objectively definable properties in future scientific methodology. They next proposed for precision of definition, more generous interpretations of measurability, replicability, and resonance of the subjective elements; reduction of ontological aspirations and an overarching teleological causality; and the resilience of the scientific techniques adopted. The importance of the shift in human outlook towards reality is stressed because many perceptual psychology studies have shown that people engaged in structured activities typically do not see unexpected or even bizarre events that may intrude, even though these are clearly visible to the uninvolved observers. We ally ourselves to this notion, remembering the various fateful accounts of Tsunami survivors on their reaction when first noticing the great big white "beautiful thing" enveloping the shorelines because it was something that was never seen before, hence incomprehensible.

Jahn and Dunne described the technique to alter the quantity and quality of the information reaching the consciousness from its source environment and vice versa akin to filter tuning. Based on earlier laboratory and field experimentations on consciousness-correlated physical anomalies and attempts to pose models consistent with the empirical results of their operators (experimentors), they proposed that the normal physiological sensory channels that provide our material brains with information about our physical environment are routinely supplemented by various subjective modalities that inform a more extended, less physicalistic consciousness. Strategies suggested to pro-active filter tuning include "openness to alternative interpretations of experience; invocation of interdisciplinary metaphors by which to express and reify those alternatives; surrender to resonance with those realities and thereby to their Source or origin; recognition and acceptance of uncertainty as an intrinsic characteristic of both the Source and the Consciousness, and thus as an essential ingredient in the creation

of any reality; and relinquishment of ''either/or'' mental duality in favor of creative complementarity of concepts, especially those of intention and resonance, and of Consciousness and the Source themselves" (Jahn and Dunne, 2004, p. 567).

Indeed, this confirmation of the reality of consciousness augurs well with our call for a principle and values-based governance. However, we wish to take the discussion to another equally defining discovery in science, on the role of the heart with respect to the decision-making process and consciousness.

In the 1960s and 1970s, Lacey and Lacey (1978) from the Institute of HeartMath[4] observed that the model framed upon the belief that human has control over the minds and emotions and the thought process through the brain's responses to external stimuli only partially matched actual physiological behaviour. They said the heart has its own peculiar logic which frequently diverged from the command of the autonomic nervous system. It is the heart that sent meaningful messages to the brain which could alter a person's behaviour. Gahery and Vigier (1974) concluded that the heart and nervous system were not simply following the brain's directions. Although previously unknown, neuroscientists have now discovered that there are over 40,000 nerve cells (neurons) in the heart alone, indicating that the heart has its own independent nervous system (Essene, 2005) . Armour (1991) introduced the concept of functional 'heart brain' to this system when he discovered that it is here, that a cell which synthesises and releases neurotransmitters once thought to be produced only by neurons in the brain and nerve ganglia, is contained. In addition, the electrical component of the heart's field is 60 times greater in amplitude than the brain's and its magnetic component, 5,000 times greater than that of the brain's, and this field can be measured with magnetometers up to 10 feet beyond the physical body. According to Essene (2005), this provides support for the spiritual teachings that indicate we humans have energy fields that constantly intermingle with each other, enabling healing (or negative) thoughts to be extended and exchanged. Since the heart's energy field is greater than that of the brain's, Essene takes

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[4] Boulder Creek, California

it that feelings and information sent from the heart to the brain can have a profound effect on the brain's functions, introducing heightened intuitive clarity and increased feelings of well being.

Essene (2005) argued that because a powerful coherence starts in each individual's heart rhythms, the heart may be considered the conduit or vessel through which soulfulness, higher consciousness, or spiritual energies enter the human being at birth. This scientifically identified condition of heart coherence supports the teachings of many world religions that state the human heart is the seat of the soul. Spiritual teachings also suggest that it is humanity's task to join together their individual coherent heart energies into one unified peaceful heart, one spiritually inspired healing intention (Essene, 2005).

McCraty, Bradley and Tomasino (2004) also from the HeartMath Institute discussed the role of positive emotions, such as love and appreciation, in generating coherence both in the heart field and in social fields. Based of their scientific discovery, they contended that when the movement of energy is intentionally regulated to form a coherent, harmonious order, information integrity and flow are optimised, which, in turn, produces stable, effective system function, which enhances health, psychosocial well-being and intentional action in the individual or social group. It is through the intentional generation of coherence in both heart and social fields that they claimed, a critical shift to the next level of planetary consciousness can occur – one, that brings us into harmony with the movement of the whole.

In 1993, Schwartz and Russek integrated the simplest ideas in physics and cardiology with modern systems theory into what they termed as "energy cardiology". Though fearful of how their colleagues would react to their work, they shared their discovery that the heart stores energy and coded information that comprise the essence of who we are (Schwartz and Russek, 1997). Pearsall, a psychoneuroimmulogist and practising psychologist with more than thirty years of Western scientific training in the relationship between the brain, immune system and human experiences with the outside world, provided clinical evidence of the heart energy in his work on the heart's code (Pearsall, 1998). He found that the heart conveys what he termed as "Life" or

"L" energy along with its electrical activity. "While the normal frequency range of electrical activity in the brain is between 0 and 100 cycles per second (CPS)… [t]he heart's normal frequency is 250 CPS," (Pearsall, 1998, p. 59). Since "L" energy can travel within other forms of energy, he concluded that the heart may be the most powerful sender and receiver of that energy.

Relating the work of the HeartMath Institute, the various people from the medical science profession and Essene's writing to the governance concept, where the underlying arbiter is not only conscience but also consciousness, we see a more pronounced role of the heart. While conscience is the ability of the mind to tell between right and wrong, we wish to impress here that it is the heart that is the seat of consciousness or the soul.

Now that the profound scientific discoveries are brought to the social science realm, hopefully becoming part of its knowledge corpus, how do social scientists reconcile all the findings into their domain? We understand the solidness of the positivist model in the thinking framework of social scientists, given that Auguste Comte invented the term "sociology" as synonymous to positivism. To Comte, knowledge is limited to only the observable and human or people were "social atoms" motivated by forces analogous to Newtonian physics (Rosenblum and Kuttner, 2006). Hence, following on Comte's argument, it means that any non-observable and non-measurable attribute do not have a place in social science. More importantly, Comte rejected revelations and human spirituality with his positivist ideology. While Comte argued that man should be central, his man was founded on the positive power of reasoning only and limited to the sense perception occupying a mechanical universe. Do social scientists now still wish to subscribe to such an ideology and that image of social science when it is a given that in reality, science has taken on a new worldview? We summarise some salient tenets of the new science that should now displace any of our earlier model(s) of the "older" and dated science that social scientists have perceived. Some are discussed in our prior discussions, while some are from additional references to the works of Einstein, Bohr, Heisenberg and the like from new sciences. On the note that Einstein and other scientists of the new order started with science and ended up talking about life, we urge social scientists to **shift their paradigm** in their outlook towards the way

they think and the way they make decision including governing, to one that is based on the new sciences. We now know that quantum theory has proven that non-locality and non-linearity are the norms and that subjectivity is an attribute of science: that the object and observer are inseparable; structure is connected to process; medium is connected to message; rational is inseparable from the emotion, the intuitive and consciousness; and that the world is all of a piece, holistic, oneness.

What now is our direction with corporate governance? The next section outlines our proposed model.

6

Our Proposed Model

On the basis of the comprehensiveness of our prior discussions, ranging from the reasons underlying the codification of the present day corporate governance, bringing in works from the various disciplines: legal, philosophy, social and sciences, we do believe that we are more equipped to offer a model which is based on the principle of wholeness. We uphold the precept that the law of natural justice cannot be undermined and that human is to seek the good and avoid evil. Yet, we accept that human can fall. In our attempt to offer a holistic view to the governance structure, we eschew the notion of either/or and propose a governance model to govern the human within the corporation that will **be supplemented** by the existing framework. To the prominence of the "observable only" foundation of the positivist model accorded by social scientists, we wish to remind that the observable makes up only 5% of the universe! And numbers are only symbols or descriptives of the essence of a phenomenon being described. Numbers will never give a one to one correspondence to that phenomenon described. We take the case of music being beautiful: how do we apprehend this beauty devoid of emotion? Just because we cannot quantify the "beautifulness" of the piece of music, do we then not accept the notion that music can be beautiful?

Prinz (2007), like many appreciator of artworks, argued for an emotional account of aesthetic valuation. Prinz emphasised that in value theory, it is found and thus, accepted, that to call an act morally good is to express emotion toward that act (Prinz 2007, p. 1). Jahn and Dunne (2004) too, have proven that the non-objective attributes in life can be measured when we use the right devices and when we rely less on the precepts of the five physiological senses. Do we then still wish to maintain a tight grip on the positivist objective and quantitative mould? Again, we call for a shift in our outlook to governance.

Based on all the arguments above, we therefore admit into a list of attributes, the subjective characteristics of governance that we believe are fundamental. We tabulate the attributes and characteristics of our model, *vis-a-vis* that of the present corporate governance structure. We compare the origins of the two governance structures and their diagnostic capacity. We arrive at a conclusion that our model should reflect the connection and capture the essence of its original and intended outcome, and that is, to govern HUMAN. We call our governance model, Human Governance™.

Elaborating on the qualities of Human Governance™ as shown in the diagram, we see that the underlying foundation that differentiates human governance from corporate governance is the focus of subject for governance. We view human as the focus and corporation being an embodiment of the human rather than viewing human as the attachment to the corporation. Consequently, the origin of the law that governs us, human, should be through revelation or the natural law that is most comprehensive governing mankind than those sourced through acts of parliament. We stress the emphasis on the spirit of the law rather than letter of the law and a governance ethos that is values-based not rule-based. The schema for human governance is inner-out unlike for corporate governance which is outer-in. It is only with principle-based inner-out governance, that the root cause of man's misdeeds can be rectified. Rule-based, outer-in governance merely treats the symptoms. Again, we wish to reiterate that we are proposing Human Governance™ to be supplemented with the existing framework of Corporate Governance that is, with Human Governance™ taking central position.

Corporate Governance vs. Human Governance

Attributes/ Characteristics	Corporation	Human
Nature of Person	Artificial Person	Natural Person
Origin of Law	Man-made Law	Revelation/Natural Law
Source of Authority	Acts of parliament	Rules of natural justice
Legal Emphasis	Letter of the law	Spirit of the law
Governance Ethos	Rule-based	Values-based
Schema	Outer-in	Inner-out
Diagnosis	Symptoms	Root causes
GOVERNANCE STRUCTURE	*CORPORATE GOVERNANCE*	*HUMAN GOVERNANCE*

We next postulate how our model would fit into the decision making process. In order to appreciate the decision making process in organisations, we offer a more microscopic view of decision making by the individual human in his or her life as the basis. We see a parallel between the human decision making process in his/her business called life with the decision making process in organisations. Life as asserted by Rosenblum and Kuttner (2006), may have a larger role to play than what we have imagined and that it may have succeeded against all odds in moulding the universe to its purposes. With the concept of oneness and the complex adaptive system on how we should view ourselves, including our interactions among ourselves and within the

universe, the organisation becomes a web of human network, hence, human dependent. The implications of the decision making process of human is discerning on the organisations' functions. In our model, we link governance to the decision making architecture of risk in life.
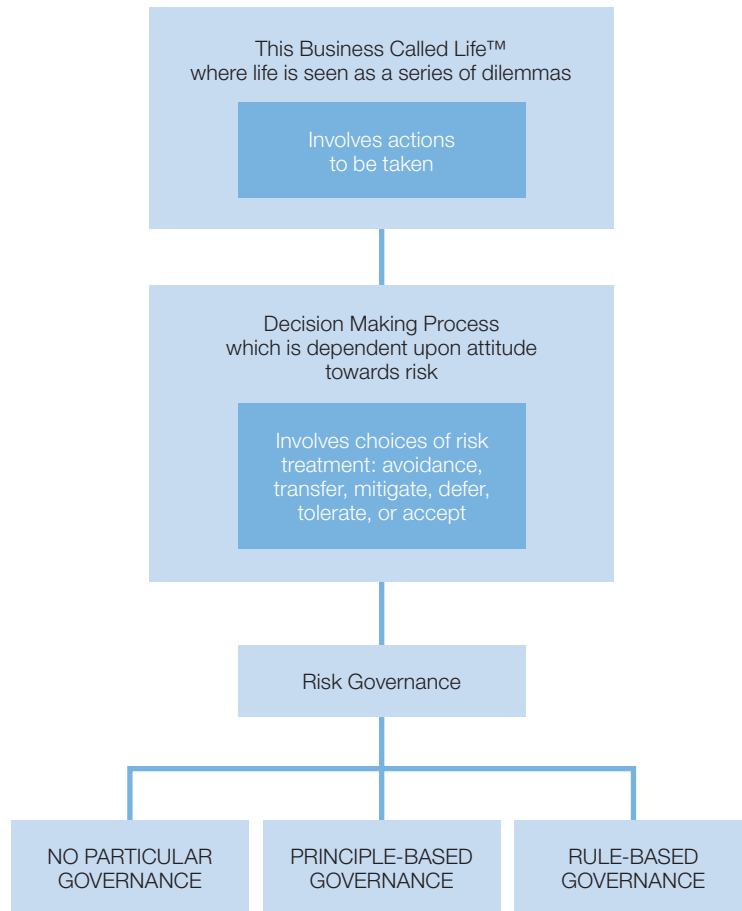
Our Business called Life™ concept views life as a series of dilemmas in deciding between the actions to be taken in our everyday activities. In life, as in organisations, we need to take actions on the most menial to the most complex tasks. Actions to be taken are the consequences of the decision making process. How then are decisions made? We postulate that an individual's decision making process and the deliverables are influenced by his or her attitude towards risks and uncertainties. One's attitude towards risk is shaped by one's milieu, which, in turn, is shaped after many factors such as one's exposure to the national norms, the community culture and one's education. And one's attitude towards risk is manifested in the way one defines the risk parameters. For instance, 23 core global risks have been identified as applicable over the next 10 years by the Global Risk Network to the international community (World Economic Forum, 2007), but different jurisdictions and entities accord different degree of weightage to them. Most risk management exercise, however, tend to aim only at the relatively narrower and more tactical financial objectives such as saving money; reducing credit, market or operational losses; or improving shareholders' value. Once the risks are recognised, one then has to decide on the stance to cope with this risk(s) and that is to avoid, transfer, mitigate, defer, tolerate or accept the risks. It is this choice of stance towards addressing the risks that is dependent upon the risk attitude.

On this score, Garratt (2007) reminds that one should not have the false hope of nailing the 'risk' for it is impossible to drive risk out of our lives. Given a life scenario with risk and uncertainty being the default mode, one must learn to acquaint oneself with dealing with the probability of encountering the risk and uncertainties. Rosenzweig (2007) has asserted that there is no universal blueprint for certainty and it is a delusion of organisational physics to think the business world offers predictable results and conforms to precise laws. The search for certainty in the business world is misguided.

Rosenzweig called managers to master themselves by changing the way they approached questions, adopt a mindset of probabilistic thinking and replace certainties with an appreciation of uncertainty, rather than trying to master uncertainty.

Back to our decision making process model, we see that once a decision is made on the way to "treat" the risks, then one chooses between the governance that one wishes to uphold in order to execute one's action. The risk governance structure that one adopts is influenced by the selection of risk treatment. One has a choice, either to observe or even not to observe the risk governance, depending upon one's selection of risk treatment. Between choices of risk structure, one can either uphold between the principle and values-based governance, or the rule-based, or none at all. This model of ours, as described above, is captured in the diagram that follows.

**Linking Governance
in Decision Making Architecture
of Risk in Life**

This Business Called Life™
where life is seen as a series of dilemmas

Involves actions
to be taken

Decision Making Process
which is dependent upon attitude
towards risk

Involves choices of risk
treatment: avoidance,
transfer, mitigate, defer,
tolerate, or accept

Risk Governance

NO PARTICULAR
GOVERNANCE

PRINCIPLE-BASED
GOVERNANCE

RULE-BASED
GOVERNANCE

In order to understand the link between governance to the decision making architecture of our risk in life model, we offer a simple example of the action of driving a car over a distance. We all know that there is a myriad of risks facing a driver along the road. In the final analysis, the manner in which the driver handles the journey depends upon his or her governance structure adopted, which in turn, is influenced by his or her treatment of risk, which itself, is dependent upon his or her attitude towards risk. Under normal circumstances, a driver's attitude towards risk is influenced by factors, such as whether driving alone or with loved ones as passengers, or by his or her consideration of other road users and by-standers. We tend to see a higher degree of cautiousness displayed by the driver, who is also conscious of the consequences of his driving upon parties, other than himself. This consciousness is shaped by the driver's milieu which we referred to in our model, as an influencing factor of one's attitude towards risk. The level of cautiousness and care that the driver believes needed to be upheld along the journey, is the decision on how to treat the risk. The driver's belief is next manifested in the practice or manner of driving that the driver performs. This practice is governed by the risk governance structure that the driver adopts. We see various possibilities of the risk structure that the driver may apply.

The driver may display reckless conduct when driving alone because the driver may now want to ignore the risk which otherwise, would have been treated differently, in the presence of his or her loved ones, or when he or she considers the well-being of other road users and by-standers. This category of drivers who accept the risk by driving, but chooses instead, to ignore it by abusing the rules and not considering the well-being of other parties, falls into our category of not observing any particular governance structure. An individual who chooses not to accept the risk will not want to drive in the first place. For the driver who accepts the risk and performs his driving, governed by his conscience and consciousness of the well-being of other road users and bystanders, he, in essence, is observing principle-based governance. This driver will display a high level of cautiousness and a caring attitude regardless of whether driving with, or without passenger(s). The laws of the state merely become additional external guidelines to guide his conduct, which is already internally governed. In effect, even if in the absence of the rules and regulations, this driver will display exemplary driving

conduct. Next, the driver whose driving is strictly guided by the traffic laws of the jurisdiction, but not his internal consciousness, is, according to our model, being rule-based governed. His or her actions are shaped only by the rules in place.

We, therefore, see that the form of risk governance structure that one maintains, will have profound consequences on one's actions. Of course, in the case of our driver, we hope very much that he or she will display similar high degree of cautiousness irrespective of the driving scenario: alone or with passengers, and in any jurisdiction. His or her driving should be internally governed by a principle-based governance structure and concerned with the well-being of society at large. The external rule-based regulations imposed by the authority should only be viewed as supplementing the driver's personal governance. So what then should be the preferred choice of governance structure for corporations? Is there a parallel between our driver in our business called life model and the driver(s) of corporation(s) in their corporate journey(s)?

We uphold to the premise that risk governance that should be in place should be principle and values-based in order to shape soulful leaders who are able to actualise soulful stewardship. This principle-based governance looks at axiology, encompassing the traits of values, religion, belief system, culture, and ethics and it is this principle-based governance that is the Human Governance™ we proposed in earlier paragraphs. However, in view of our partiality for a holistic structure encompassing the non-material/subjective and material/objective components and that man can fail, we proposed that Human Governance™ be supplemented with the rule-based (corporate governance) already in existence. Aristotle wrote 2000 years ago, that "we shall need laws for the regulation of adult behaviour as well, and generally speaking to cover the whole of life; for, most people obey necessity and compulsion rather than argument and ideals". We posit that human governance as an internal governance device should and can be supplemented with the external mechanism of corporate governance. While we do subscribe to the necessity of regulation, we take heed of Villiger's (2008) caution, of not to try to protect all people from their own

"stupidity" as in the case of Sarbanes-Oxley Act (SOX) as a reaction to Enron and WorldCom. Of more importance is the need to meet the internal rules and values that an individual upholds, that is, his or her conscience and consciousness. La Pla (2005) cited Garratt's dismay over the "increasing nonsense" SOX, calling for a challenge to it and Oxley's admission that SOX went a bit too far. Slavish adherence to SOX compliance was having negative effects on US businesses, claimed Oxley. Thus, we see the role of our compliance rule-based governance as fulfilling only a small part of the big whole of the governance framework which largely comprises the principle and values-based human-centric Human Governance™.

Our holistic approach to governing the corporations through the adoption of the principle-based and supplemented by the rule-based governance parallels the methodology suggested by Davies[5] (2005) in formulating the values-based conflict of interest compliance systems for public officials. To Davies, the initial stage is to set forth a values-based Code of Ethics (the Yin) which draws upon, reflects and undergirds the essential values of the nation. It is out of these codes that specific, compliance-based rules (the Yang) are formulated. Interestingly, Davies implied the religiosity inclination that his values-based model draws upon. He articulated that in Muslim jurisdictions for instance, whose law is based upon Shariah drawing from the Quran and other religious sources, the codes of ethics there would lay out those principles as taken from the Shariah. By the same token, in other jurisdictions, the codes of ethics would be based on other religions and/or philosophy of life relevant to each locality.

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[5] Mark Davies is currently the executive director of the New York City Conflict of Interest Board and adjunct law professor who has done extensive work on government integrity and ethics including in the capacity of associate council to the state's Commission of Government Integrity.

7

Summary and Conclusion

Summarising this monograph: we have i) shared the groundswell of dissatisfaction of the current rule-based corporate governance structure as practised today; ii) shown the problems with the implications of the decision to grant legal personalities to corporations to the extent that unintended consequences are taking place; iii) highlighted the dichotomy between transparency and the implications of *caveat emptor* maxim and coined instead the *edico venditor* dictum; iv) critiqued the definition of human from a machine perspective shaped upon positivist mindset and proposed the formal concept of the Ideas Man™, one that has the soul as its essence or core and being embodied into the physical, biological being for locomotion; v) shared the various development in science from the phenomenal quantum theory that challenges the Newtonian and Cartesian thought frame of earlier centuries science to the role of the heart in effectuating the brain functions; vi) called for social scientists to evolve from a mind set of objective and quantitative obsession to one that recognises the presence of the subjective nature just as the views of scientists have evolved; and most importantly, vii) proposed the Human Governance™ model as the central governance structure to be supplemented with present day corporate governance and viii) explained how the human governance model fits into the decision making process of corporations which involves risks through linking individual's risk governance structure to the decision making architecture of risk in his or her Business called Life™.

We now conclude that our model is holistic, in that it encapsulates a more complete representation of the universe where subjective elements form the main. With humility, we see the contribution of this monograph to the corpus of knowledge from the perspective of bridging the new sciences and social sciences; and to the world of practice, offering a governance model that is more comprehensive in addressing the root cause of present day box ticking compliance framework that is based upon the *caveat emptor* foundation

for commercial transactions and the positivist mind set, and created by the decision to grant legal personalities to corporations. "Human beings have a habit of painting themselves into corners and then wondering how they got there. What is worse is that they are the very folk who created the tools that took them there" (Garratt, 2007). In the tangible world of architecture, Winston Churchill reminded us not to "first … shape our buildings then they shape us".

In today's setting, which is driven increasingly more by rapidly changing ideas than by slowly changing material factors, an understanding of the dynamic of ideas becomes important. And this is where the application and practice of quantum theory are more uniquely pertinent. Our ideas image of man is far more inspiring and liberating than the dreary picture of machine man painted by Classical Mechanics. Man, to us, as in the new sciences, becomes an integral part of nature's process of infusing structure and meaning into the universe. Our emphasis on the need to capture subjective attributes should be reflected in the choosing of individuals to become business leaders. Just because we are not able to correspond essence of a phenomenon to numbers, it does not mean that we should not acknowledge the presence of such essence. As reminded by Villiger, (2008), when selecting managers, more attention should be paid to a rather old-fashioned attribute: character! Barrett (1998) too, in stressing the link between an organisation's ability to tap into its human potential and performance, pointed out that the values that corporations stand for, are increasingly affecting their ability to hire the best people and sell their products. It is now recognised that the pursuit of self-interest is not only destroying the planet's life support systems, but the social fabric as well. The philosophy of business is seen to have direct impact on the rapidly escalating environmental and social issues. To Barrett, the era of the corporate autocracy is coming to an end. Wheatley (2005) highlighted that far too many organisations have lost the path to quality because they have burdened themselves with unending measures. Too many employees have become experts at playing "the numbers game" to satisfy bosses rather than becoming experts at their jobs! Morgenstern, as cited by Kenessey (1997), realised the importance of the non-quantitative characteristics in businesses early in 1950. "All economic decisions, whether private or business, as well as those involving economic policy, have the characteristic that quantitative and non-quantitative information must be combined into one act of decision"

(Kenessey, 1997, p. 253). We, therefore, see the need for a unification of the subject and object, of the subjective and objective.

Chittick (2007) asserted that the very structure of the intellectual quest stressed not only the achievement of right knowledge through the unification of subject and object, but also the actualisation of sound moral character and the cultivation of virtue. The quest is aimed at overcoming the soul's self-centredness, to train it to detach itself from its individualistic tendencies, and to point the way toward bridging the gap between self and other [selves]. Ethics, hence, was not just a theoretical endeavour but the guidebook for becoming a better person, since originally, the search for wisdom went hand in hand with the attempt to perfect the soul and philosophy has always been a way of life and a spiritual discipline. (Chittick, 2007, p. 136-7)

Having argued and established the profoundness of Human Governance™ and the value attached to it, we wish to put ourselves in the shoes of leaders and managers in organisations. How could our proposed governance model be operationalised in practice? For that, we do not promise a cookbook of recipes or standard operating procedures (SOPs) since that very act will take us back to the positivist and rule-based mind set we are trying to avoid in the first place. Rather, we believe that when corporations practise human governance, the rule of natural justice will take place so that the need for SOPs does not even arise. We now call leaders and managers to look within themselves to discover the greatness and potential of human spirit based on the virtues of justice, equity and fairness rather than be fixated with the many management and organisational theories based on existing traditional western cultural views. We suggest seriousness be given to the works of many western thinkers and practitioners, such as Barrett (1998), Wheatley (2005) and Senge et al. (2007), who, time and again reminded us of the non-appropriateness of such theories.

For instance, Barrett (1998) posits that successful business leaders of the 21st century will need to find a dynamic balance between the interests of the corporation, the interest of the workers and the interest of society as a whole. To achieve this goal, they will need to take account of the shift in values taking place in society, and growing demand for people to find meaning and

purpose in their work. Successful organisations, according to Barrett, will be those that complete their transformation and live out values that support a higher state of consciousness, that is, the common good. Corporations that cannot move beyond the lower state of consciousness of self-interest will find themselves struggling to survive. The transformation from the lower to higher states of consciousness involves the corporate soul. For this purpose, enlightened leadership is to be demanded, one, where CEOs and executives have completed their own transformation. Leaders should pay employees to also think rather than only do and allow employees to assume responsibility for the whole. In this manner, employees are encouraged to fulfill their potential. For this to materialise, the culture of the corporation can only be based on **trust**. Emotional energy, not mental energy, is the true motivator of the human spirit. Based on Barrett's contention, we can deduce that leadership plays a significant role in the creation of corporations with soul. Leaders must accept and practice "soulful" leadership to ensure that an ethical culture is inculcated among other employees of the organisation. Leaders must be honest with the assessment of their own capabilities so that they could undergo transformation in order to effectuate organisation transformation. In essence, leaders themselves, must be of sound mind and ethical character.

Barrett, not just one to only theorise about corporate transformation, also provided empirical evidence of the practice of higher state of consciousness among successful companies. Citing the work of Collins and Porras on eighteen visionary companies that were identified between 1926 and 1990 to have a growth in shareholder value 15 times greater than the general market, Barret highlighted that all the companies demonstrated a strong core ideology (values and purpose). Contrary to business school teaching, "maximising shareholders' wealth" was not the driving force of these visionary companies. Economic consideration is only one in a cluster of objectives and NOT the primary one.

Wheatley (2005) stressed that western cultural views of how best to organise and lead (the majority paradigm in use in the world) are contrary to what life teaches. Calling for leaders to not disregard life dynamics, Wheatley identified several flaws with leaders: leaders use control and imposition rather than

self-organising processes; they react to uncertainty and chaos by tightening already feeble controls rather than engaging in their best capacities; leaders use primitive emotions of fear, scarcity, and self-interest to get people to do their work rather than the more noble human traits of co-operation, caring and generosity. To Wheatley, many of our fundamental beliefs and practices not only no longer serve us or the greater world but are harmful and distancing us from the skills, knowledge and wisdom that would help. Our assumptions too, according to her, are false and can never engender healthy, sustainable societies and organisations, for we act as if humans are motivated by selfishness, greed and fear; we exist as individuals free of the obligation of interdependence; we believe that hierarchy and bureaucracy are the best forms of organising; that efficiency is the premier measure of value; that people work best under controls and regulations; that diversity is a problem; that unrestrained growth is good; that a healthy economy leads naturally to a healthy society; that poor people have different motivations than other people; that only a few people are creative; and that only a few people care about their freedom (Wheatley, 2005, p. 1-3).

Based on the "norms" of leadership and management, what Wheatley suggested above do appear radical and we do acknowledge the difficulty that many of us might have to digest it. But let us not fall back to our safe harbour and continue with our old die hard habits. Let us together reflect the ramifications of our extant paradigm. Take the banking tragedy of today. Is it not true that the banking catastrophe with its web felt world wide was based on the contagion of our human greed? Who would have thought that the Wall Street players would see such damaging calamity? Was these bankers' assessment of risk flawed by their real earnest lack of knowledge? Or rather, was it not based on informed judgment that such risks were taken merely for the sole intent of making more profit? Do we not want to question their attitude towards risks and decisions made or are we too to be blamed for condoning such behaviour? Do we not want to agree with Wheatley that this is the era of many messes? Do we need further evidence to accept that the world is interconnected and that there is no such thing as a simple cause and effect?

Senge et al. (2007) could not have stressed more the significance of the interrelatedness and interconnectedness facet of quantum science.

Everything we have to say … starts with understanding the nature of wholes, and how parts and wholes are interrelated. Our normal way of thinking cheats us. It leads us to think of wholes as made up of many parts, the way a car is made up of wheels, a chasis… [where] the whole is assembled from the parts and depends upon them to work effectively. If a part is broken, it must be repaired or replaced. This is a very logical way of thinking about machines. But living systems are different. Unlike machines, living systems …create themselves. (Senge et al., 2007, p. 5).

To Senge et al., the awareness of the wholeness of nature was stolen from us when we accept the machine worldview of wholes as an assemblage of replaceable parts. They cautioned that the evolution of the global institutions of today has now made the need to understand the relation between parts and wholes even more pressing. And to ensure that this need is addressed, the philosophy of education has to be reformed. Though the need to encourage thoughtful, knowledgeable, compassionate global citizens in the 21st century differs profoundly from the need to train factory workers in the 19th century, the industrial age school, according to them, continues to expand, largely unaffected by the realities within which children are growing up in the present day. As long as our thinking is governed by our "machine age concepts" such as control, predictability, standardisation, and "faster is better", to Senge et al., we will continue to re-create institutions as they have been, despite their disharmony with the larger world, and the need of all living systems to evolve. Consequently, our governing structure will be based upon the rules and SOPs that we formed and codified in our mental user manuals developed for machines.

On the basis of all that we have shared in this monograph, we end with a note that the present climate provides an excellent and timely opportunity to press on with the needed changes, but first, for change to take place, we need to shift our view of the manner we govern corporations. And for that, we now know that we have our heart to complement and tamper the decisions made using our sense perception and our intellection. But, to us, the paradigm of thinking is the final factor to the relationship between how we govern corporations and the success behind it. We need to accept that for now, we are still using 19th century tools in steering corporations to address 21st century problems.

Understanding
Human Governance™:
An Interview with the Authors

1. What is human governance essentially about?

Human governance is an internal mechanism to guide human in emanating internal behaviour. The target object should not be the corporation but human since the soul of the corporation is human. It is through the adoption of human governance that stewards of corporations would be able to steer their corporations with integrity. Human governance brings back due regard to the profoundness of governing the individual rather than the corporation which is the artificial legal person.

2. How is human governance different from corporate governance?

Corporate governance is manifested as an external, outside-in rules and regulations to legislate the corporations whereas human governance is an inside-out values-based conviction to guide the human where human is viewed essentially as a non-material soul and embodied in the physical being rather than as machine. Being parameter-driven and rule-based, corporate governance emphasises the letter of the law unlike human governance which is about the spirit of the law.

3. How will human governance benefit us?

As the leading segment of society, business has become the most powerful force for positive change in the world today taking over the role of governments. Decision-making process of business now must take into consideration human well being and the interest of the people. For business corporations to assume this role is never easy since conflict can arise between serving the self and the public. History shows that the original corporations were

actually regulatory agencies such as guilds or local governments and had nothing to do with profits. But, over time, events such as the formation of "joint stock companies" and the court's decision to grant legal person status to corporations have resulted in corporations being incapable of commitment to a community or any other undertakings that could diminish its profits. Rather unfortunate too, free market fundamentalists further exacerbate the situation by arguing that for corporations to pursue any other goal besides profit-maximisation, would disrupt the market ecosystem. This is when the presence of human governance will help corporations to make decision that will benefit us, society. Human governance can take us back to the original intention of the corporation, homing on values that should be upheld during decision making. The fact that corporate scandals have taken place only further endorses the benefits of human governance. And the fact that, reactionary corporate governance measures have not managed to impede further disgrace only tells us that we have nothing to lose by upholding human governance. To the accountants' fraternity, with human governance in place, the essence of the true and fair principle becomes less rhetorical.

Therefore, from the bigger picture, human governance will improve human well-being. The individual business organisation too, as implied by Ritscher (1985), "can increase fun, productivity and resiliency" by including spirituality, an essence of human governance. Fred Kofman (2006) in his book titled "Conscious Business: How to Build Value through Values" also believes that a conscious business fosters personal fulfillment in the individuals and mutual respect in the community; and sustainable success in the organisations.

4. Is there really a need to go beyond corporate governance into human governance?

The question that we should attempt to answer is of how to go beyond corporate governance into human governance rather than whether there is really a need to go beyond corporate governance into human governance. If we are convinced that corporations should consider public interest as how they were originally meant to, and amidst the unintended consequences that have taken place as a result of granting the corporations legal person status, then, human governance is our only hope, unless we truly believe that

governing corporations without directing to the human can arrest human misdeeds.

Wishing to be presumptuous taking that societal contribution does matter to the corporate citizens, we now attempt to answer the question of how we transform ourselves to go beyond into human governance. To answer this question, let us learn a lesson or two from the development in science. The rise of modern materialistic science is an evolutionary leap in human history. But more than three hundred years later, this material science knowledge of the objective and sense-perception world and empirically-based and publicly verifiable domain is shown to be an incomplete representation of reality. Scientific knowledge has now been extended to the realm of subjective experience through new sciences. If scientists have accepted that science has shown that the reality of the world now takes a different inclination going beyond the physical dimension to the levels of intellection and contemplation, is it too difficult for social scientists and accountants to move from corporate governance to human governance?

5. Is the corporate world ready for such a framework?
The corporate world cannot do without it. But to start with, we must first believe that we need and want to move on to a different dimension; that we need and want to transform our mindset. There must be corporate will akin to the imaginal cells that are responsible to morph a caterpillar into a butterfly. We need to nurture those imaginal cells to transform corporations into the entities of knowledge-based economy. Everywhere people are talking about transformation, but is their transformation REALLY transformation or is it just about fiddling at the peripherals, analogous to quantitatively moving from 3 to 4 decimal places? We need to move to the cause of accounting failures, addressing the human who somehow manifest as if they do not want to be accountable. We need to address the issue of integrity in the stewardship of corporations. But for transformation to take place, corporate players need to reequip themselves with the right knowledge: that which includes the subjective besides objective.

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